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REAUTHORIZATION OF THE NATIONAL TOURISM POLICY ACT

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HEARING

BEFORE THE

SUBCOMMITTEE ON
COMMERCE, TRANSPORTATION, AND TOURISM

OF THE

COMMITTEE ON ENERGY AND COMMERCE
HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

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REAUTHORIZATION OF THE NATIONAL TOURISM POLICY ACT

TUESDAY, MARCH 23, 1982

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMMERCE,
TRANSPORTATION, AND TOURISM,
COMMITTEE ON ENERGY AND COMMERCE,
Washington, D.C.

The subcommittee met, pursuant to call, at 9:30 a.m., in room 2218, Rayburn House Office Building, Hon. James J. Florio (chairman) presiding.

Mr. FLORIO. The subcommittee will come to order.

We welcome all in attendance to this year's hearings on the reauthorization of the National Tourism Policy Act.

Last October, as many of you know, the Congress enacted the National Tourism Policy Act as an indication of its support for a vigorous Federal promotional program to bring foreign tourists to the United States.

Over the course of several years, the Congress has become educated as to the importance of tourism to the well-being of our national economy. We know that the industry provides millions of vital jobs and is the third largest retail industry in the United States.

The law that was enacted last year recognized that tourism was a very important element of U.S. foreign trade and should be given the same attention and support that other industries receive.

Our hearing today will focus on the efforts of the Department of Commerce to carry out the new tourism program. On its face, the administration's budget request appears to be inadequate to implement even the mandatory duties of the law, and no resources have been provided for discretionary functions.

We will be pleased to hear from the spokesman from the administration as to their thoughts on that subject.

I would hope that this budget submission is not a signal from the administration as to its lack of enthusiasm for the program. Tourism promotion is a sound, cost-effective investment. For relatively small amounts, this country can receive literally billions in foreign travel receipts, and create hundreds of thousands of jobs.

In a time of economic recession, certainly the job component becomes even more important than is usually the case.

The subcommittee also looks forward to hearing about the marketing plan which was intended to be the backbone of the new tourism effort.

We hope that the submission of this plan marks the beginning of a concerted attempt to fully carry out both the intent and the requirements of the law.

We will let our minority member sit down and ask if he has any opening remarks to make.

Mr. LENT. Thank you, Mr. Chairman.

I regret being a little late this morning. It's been almost a year since the National Tourism Policy Act was passed. That act restructured the tourism promotion program in the Department of Commerce in a number of ways.

First, the old U.S. Travel Service was changed to the U.S. Travel and Tourism Administration, to be headed up by an Under Secretary for Travel and Tourism, and an Assistant Secretary for Tourism Marketing.

Second, an Interagency Coordinating Council was established to coordinate Federal tourism policies and programs.

Third, a Tourism Advisory Council composed of representatives from the tourism industry was required.

Four, a comprehensive tourism marketing plan was to be developed and submitted annually to Congress.

We received the first tourism marketing plan from the USTTA late last week.

I understand that the administration is requesting $5 million for the fiscal year 1983 tourism program. That is down from the $7.6 million which was appropriated for tourism for fiscal year 1982.

We are all anxious to hear from our witnesses this morning on the progress made in implementing the requirements of the 1981 act and on the question of the adequacy of the administration's 1983 budget request.

Since it was my substitute measure establishing the new tourism promotion policy which was reported by the Commerce Committee late last year and almost word for word was enacted into law, I am very concerned about the success of the new USTTA.

In my view, a strong national policy on tourism is essential to promote an industry which is one of the major employers in most of the 50 States and which accounts for over $140 billion annually in consumer expenditures.

Employment, small business and our balance of payments all prosper when the tourism prospers. I hope our witnesses today will report favorably to us as to the status of our tourism policy. Thank you very much.

Mr. FLORIO. Thank you, Mr. Lent.

We are pleased to have the Honorable William Boner here, not only in his role as an interested Member of Congress with respect to tourism, but representing the U.S. Congressional Travel and Tourism Caucus.

Congressman.

STATEMENTS OF HON. WILLIAM HILL BONER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE; AND HON. MARGARET M. HECKLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS, ALSO ON BEHALF OF THE CONGRESSIONAL TRAVEL AND TOURISM CAUCUS

Mr. BONER. Thank you, Mr. Chairman. I request that my remarks be submitted and placed in the record.

Mr. FLORIO. Without objection.

Mr. BONER. Mr. Chairman, it is a pleasure to be here, and to be able to tell you we appreciate the support you have given us in the past to see that the national tourism policy was implemented.

I speak today on behalf of the Congressional Travel and Tourism Caucus, its members, its steering committee, and its most able chairman, Jim Santini.

As Congressman Santini pointed out, it was only a short time ago that the subcommittee was considering the National Tourism Policy Act.

At that time, the caucus steering committee presented testimony on the benefits of tourism and the need for a national tourism policy.

We saw the efforts to establish such a policy brought to fruition. I am not going to take your time going through that exercise again.

The need for a national tourism policy is clear and well recognized by this esteemed subcommittee.

Today, I would like to take just a few minutes to discuss with you the next step. Clearly a policy in and of itself is only words on paper and we all know how much or little that ink is worth.

It is surely essential to have a policy, but it must go hand in hand with the mandate and mechanism to carry it out.

The Tourism Policy Act took care of that by creating the U.S. Travel and Tourism Administration, the Tourism Policy Council, and the Travel and Tourism Advisory Board.

The USTTA, however, carries the responsibility for staffing both the Policy Council and the Advisory Board, in addition to carrying out the stated objectives of the act.

Those goals take on increased importance when considered within the total forecast for our national economy and for our country's export-earning potential.

Tourism is a service industry and this is the growth sector of our economy. The Department of Commerce has been concentrating more and more on service industries to help our balance of payments with foreign countries.

The deficit for goods continues to increase, but the surplus in payments for services continues to grow as well and aids the overall balance.

The New York Times recently quoted Secretary Baldrige as saying "We have got to export more." Well, I couldn't agree with him more.

But that raises the question of why the Secretary of Commerce, the Department of Commerce, the administration, do not recognize tourism and travel as a major factor in the export of services.

We certainly can't ignore the $12 billion in export earnings from travel and tourism. We also can't ignore the competition.

The international travel market is worth over $100 billion. The U.S. share is a scant 10.9 percent. Why do we show so little concern?

There is an opportunity here to be taken advantage of. We have got a good product—a beautiful country. But what we do to sell it is very little.

We hear about the importance of return on investment and with travel and tourism, we have a clear-cut return. So why not jump into the market—especially when it's the kind of market that's not going to evaporate tomorrow.

It is not fraught with risk. In 1960, there were about 70 million international tourist arrivals worldwide. In 1970, it was brought up to about 160 million; and in 1980, there were over 275 million tourist arrivals worldwide.

The numbers have consistently grown. The U.S. share of those arrivals has not.

Right now, and in the next couple of years, we have some major opportunities to hinge our selling efforts to:

In Tennessee, we have the World's Fair in Knoxville, which is about to get under way;

The opening of a major new attraction in Florida by the Disney Corp. called EPCOT;

In 1984, Los Angeles will host the International Olympics;

Also in 1984, New Orleans will be home to a major World's Fair event.

And I would be negligent if I didn't mention the Grand Ol' Opry in Nashville, Tenn., which attracts tourists from all around the world.

We would be foolish not to capitalize on these events. An investment in the USTTA to carry out our national tourism policy cannot produce any loss for our Government Treasury.

The only question is how large a boon it will be to our balance of payments and our Nation's coffers. That clearly depends on what kind of investment we are willing to make.

Think of all the people that can close down the Knoxville World's Fair and then head over to Orlando to see their opening if we only sell that.

There is time to figure out ways to attract conventions and pleasure travel and tours to New Orleans and Los Angeles in 1984.

The real challenge is how long can we get the visitors to stay and how can we get them to expand their itineraries?

If the subcommittee recommends an adequate funding level for USTTA, I am sure it can double its effectiveness working with the private sector and State and local governments.

But it is essential to have a focal point. In passing the National Tourism Policy Act and creating the U.S. Travel and Tourism Administration, we made it the focal point.

These next few years are a perfect time, with international events already planned in this country, to give USTTA a chance to carry out the national tourism policy and I believe we will be pleasantly surprised at how great a return we get on our investment.

Thank you, Mr. Chairman.

Mr. FLORIO. Thank you very much. We are pleased to have our distinguished colleague, Mrs. Heckler, with us.

STATEMENT OF HON. MARGARET M. HECKLER

Mrs. HECKLER. Thank you, Mr. Chairman. I would like to say that I second everything that my colleague has said.

I would like to add an eastern dimension to the tourism attractions of America. I don't think they need to be elaborated upon, they are quite well-known to the members of this subcommittee.

I want to thank this subcommittee for the opportunity to discuss the reauthorization of the National Tourism Policy Act. It seems to me quite clearly that the U.S. Travel and Tourism Administration received a mandate in the national tourism policy and this subcommittee, I think, was very important in the establishment of that mandate.

Having given it that mandate by congressional acts and administration approval, I think it is important that we not hamper its efforts.

No one would ask that the USTTA absorb the promotional expenses of the private industry involved in travel and tourism. But the Government should augment the private expenses by providing the coordination for this country to put its best foot forward.

The States will vie for tourism dollars, the hotel chains will vie for tourists as the airlines vie for passengers.

But the country must be presented in the best possible light overseas and the representation of this country is the responsibility of our Government.

In reviewing the marketing plan, there was discussion of alternative funding sources. Perhaps other funding options should be explored, but right now, I think we should be sure of one thing: That overseas offices are properly maintained as mandated in the Act; that research and marketing efforts are adequate to fulfill the goals of the act and that the Washington office is properly staffed to provide the necessary coordination for the overseas efforts, public and private cooperation, and for the Interagency Tourism Policy Council.

I would also like to mention something that is on the forefront of our national agenda in every area of the country, that is the issue of employment.

Every effort should be made in this time of high jobless rates to expand job opportunities. I think one of the great problems with the industry of tourism and travel is that of its contribution to the national economy seems invisible, however, it contribution is real and sizable in magnitude.

In 1981, unemployment reached 8.8 percent overall. In the service industry, it was 6.4 percent. The total number of jobs in the country declined, there were a half million more jobs in the service sector in 1981.

When we break out travel- and tourism-related employment, we find this particular segment of the service industries was responsible for over 200,000 of the half million jobs.

Expanded employment in travel and tourism is a major factor in allowing Americans to work. These jobs in travel and tourism en-

compass all income and skill levels. We have heard over and over again that the travel and tourism industry offers a proportionately higher numbers of job opportunities for minorities and women than other industries. That is a fact.

The positive impact of the travel and tourism sector on our Nation's employment should be considered in the total equation of our economic recovery.

If we consider only the impact of foreign tourism, we can see hope for our nation's jobless. Attracting more visitors to this country both maintains and creates jobs. Foreign tourists alone support about 700,000 American jobs.

When you consider the fact that for every 1 percent of unemployment it costs the U.S. Government $25 billion, we have an obvious alternative to paying unemployment benefits by creating employment through the travel and tourism industry.

Some figures have been developed to indicate that each $35,000 in international receipts supports one U.S. job. In 1981, each overseas visitor spent about $685 in the United States, so it took 51 overseas visitors to support one U.S. job.

How about a goal of increasing overseas visitors by an appropriate number to reduce our unemployment rolls? It could have a very positive effect on our economy and is a realistic goal for our economy.

This is a no-risk situation, as Congressman Boner mentioned. We have a track record to go on. When it comes to considering budget proposals, I think we are all aware of forming priorities and juggling the equities.

But we should put our money where we will see the greatest return, returns in jobs, return in foreign exchange, the return in an improved image for our country in the world.

Clearly, we can get that return from the investment in the U.S. Travel and Tourism Administration to carry out the National Tourism Policy Act.

At a time when there are few alternatives left in the budget, I think it would be foolhardy to overlook the vast potential for revenue production, that the funding and authorization for this policy actually offers through this Congress and through this subcommittee.

I personally want to express my congratulations to the chairman of the subcommittee and the members, certainly to the leader of our Travel and Tourism Caucus, Mr. Santini, for his continued support and leadership in this area.

I think that we are traveling a pioneer path that offers great hope for the country, but were it not for the leadership of this subcommittee, we would not have had that Policy Act passed.

Now let us not make that a vain gesture. Let's implement the Act.

Mr. FLORIO. Thank you.

Mr. Lent.

Mr. LENT. Thank you, Mr. Chairman.

I want to commend both of my colleagues for the leadership they have demonstrated in this very important subject.

The administration has requested $5 million, as you probably know, for the USTTA in the 1983 budget.

Could you give us your opinions respectively as to adequacy of that figure and if you think it is too much, too low, what level might you suggest if you think so?

Mrs. HECKLER. I think that the funding is clearly beneath the basic minimum that would be necessary for adequate functions. I think last year's funding was 8.7 million——

Mr. LENT. I think 7.6 million.

Mr. FLORIO. There was 8.6 authorized, 7.6 appropriated.

Mrs. HECKLER. All right, and I think to go below the amount spent last year is to really decrease the capacity of the USTTA to actually operate effectively.

I personally do not understand why the cut was so deep. I think there is some doubt given to the private sector picking up more of the costs.

But frankly speaking, in a transitional period, I don't think that is a realistic alternative and I feel that really, if we are going to implement the opportunities that the policy offers, we are going to have to fund the policy. That is the essential ingredient in terms of making this policy more than a vain gesture by the Congress.

Mr. LENT. Yes.

Mr. BONER. If I may respond. I think we have to first of all look at the context of our tourism industry and our economy of the country.

First of all, with unemployment like it is, and the unemployment is in the job-entry level and so many people are employed in tourism at that job-entry level. I think because of that, I believe it was in 1979, the funding was around 13 million and we see now in a short period of time how it has dropped.

I am not sure of the exact figures, but I think it is for every dollar the Federal Government spends, we get about $18.75 return investment back.

You know, I think that there is a statement that you can be penny-wise and pound-foolish, and when we start talking about cutting back on our ability to promote this country and bring people over, I think the administration, if I may respectfully say, is being penny-wise and pound-foolish. We are not going to be building more highways for these people, we will not build any more schools, we don't have to lay more water or sewer lines, we don't have to worry about educating their children, everything that these people will take advantage of is already here and it is not going to be an outlay to this country, local, State or Federal.

But certainly it will help to bring the dollars in. As Representative Heckler pointed out, when you talk about each tourist spending over $685 each and when you multiply the factor of how many times that dollar turns over in the local community, all the more reason to me it seems, that it is not an expenditure. It is an investment that will yield tremendous returns and as good business people and caretakers of the taxpayers' money, I think we have an obligation to put the proper money in that investment so that the American public will get a proper return on it.

Mr. LENT. Thank you.

Mr. FLORIO. Thank you very much.

If there is any evidence that anyone needs as to the importance of tourism, I will note that I have not seen this many members of the subcommittee together this year. So I am impressed.

Mr. LEE. Will the gentleman yield? Is this our first or second meeting?

Mr. FLORIO. About our ninth.

Mr. Santini.

Mr. SANTINI. Thank you, Mr. Chairman.

I want to particularly commend your two distinguished witnesses who serve not only in the U.S. Congress, but serve as very active and effective members of our House Tourism and Travel Steering Committee.

It was their individual labors that in part contributed to our success last year with the Tourism Policy Act, a concept that floated about for over 20 years that we are able to see implemented last year, interestingly enough, with the support of Mr. Stockman and the Office of Management and Budget.

You'll recall the letter to the House Tourism and Travel Caucus endorsing our Tourism Policy Act initiatives.

That was the breakthrough that made it possible to gain the administration's support and enactment of the legislation.

That was the breakthrough that I thought represented a new era in the OMB.

Lamentably, the individual support of Mr. Stockman at that juncture is not translated in the Office of Management and Budget to a realization and appreciation of what tourism and travel has contributed to the economy of the United States of America.

Unfortunately, we still see the ominous specter of that anonymous GS–14 who looms behind the scene in the Office of Management and Budget with a large ax sharpened particularly at the throat of tourism and travel and its contribution to both Government and the economy of the United States of America.

That abysmal primitive thinking process that has characterized not only the reduced budget recommendation of this administration, but previous administrations as well, does go right to the bloodline of the support of one Government entity that is supposed to be interested in and pursuing international travel in the United States of America.

In Las Vegas, Nev., one of the tourism meccas of the United States, we have seen an 8.1-percent decline in travel on airplanes to Las Vegas, Nev. We have one of the most aggressive international tourism travel promotion outfits in the United States, yet we have seen a loss of over 1 million passengers to Las Vegas, Nev., we have seen a loss of 8.1 percent while the national decline was under 4 percent.

We are seeing some disturbing signs that airline deregulation has contributed because of prejudicial pricing and fears directly to a decline in our back yard, Mr. Chairman, but we are also seeing the administration at this critical time backing off a commitment previously made to our Tourism and Travel House Caucus that it was recognizing the fact that for every $1 the taxpayer invests in tourism and travel, we get $18 back.

It is at this time that I urge, Mr. Chairman, that the new advisory board appointed by the travel authority, specifically examine

other funding options that we can lend to the support of the tourism and travel agency.

Now the marketing plan touched lightly on the possibility of private funding and then departed from it without any analysis.

It seems to me, Mr. Chairman, that a good deal more thought ought to be devoted to the fact that private funding should be part of the support of this Government agency, and, Mr. Chairman, you have enunciated that proposition in the past.

But the question is, and we really would ask the advisory board that is presently serving our USTTA authority, to come back in their annual report and tell Mr. McCoy what their recommendations are specifically for outside or private funding of this entity.

One, should it be all public?

Two, should it be a combination of public-private?

Or three, should it be all private?

If there is a role for private funding of this entity, should that funding be supplemented by a passport fee, $1 or $2 added to each passport issued?

Should it be added on as part of a departure tax, $1 on every plane ticket, as an add-on? It is a thought that was given serious consideration at one time and then abandoned.

I think it is a thought and its time has come and we must seriously and critically analyze the departure-tax concepts, the passport-fee concept as a supplemental.

It is quite obvious that green oracle that presides over at OMB with particular convenience directed at the tourism and travel agency must be taken head-on with the prospect of some other independent source of funding or we will go through, Mr. Chairman, in your legislative lifetime and mine, and mine may be a great deal briefer than yours, but in your legislative lifetime, Mr. Chairman, the prospect that every year we come in for an authorization and have to confront the GS–14 green oracle with the sharp ax who will try to do in any Federal role in tourism and travel.

Given the enormous contributions so well outlined by our two members of Congress before this committee, of tourism and travel to the healthy economy of the United States, to the job needs of the United States, to the economic vitality over all of the United States, I would hope that we can look to some other kinds of funding supplement to this new entity so that it might continue to live a healthy, viable and active life, rather than coming in and fighting for its survival on the edge of the economic cliff every year, Mr. Chairman.

Thank you.

Mr. FLORIO. Thank you very much.

Mr. LEE. Thank you, Mr. Chairman.

First, congratulations to each of our distinguished colleagues for the conclusion they have made to this very, very important topic. I think the most pressing question, Mr. Boner, and Ms. Heckler, is do you think the act which we passed last year which was overwhelmingly supported by members of Congress has been successfully or unsuccessfully implemented to date by this administration?

Mr. BONER. I will go first this time. I want you to realize that is not because of age, that is just——

Mr. SANTINI. Beauty, yes.

Mr. BONER. Yes, beauty.

I think it has, Mr. Lee.

I think that Mr. McCoy, whom I have had a chance to visit with at various receptions and have communicated ideas to him and talked with him, I think that he is going to be creative, he is enthusiastic, and he is ready, and willing to go to bat for the tourism industry and fight the battles that need to be fought to have the tourism voice heard.

I think to this point it has been carried out and I think that that is why the funding for this reauthorization can be so vital.

I would hate to see a person who I have been impressed with his creativeness and abilities and some ideas he shared about how he wants to see tourism perhaps regionalized or this Nation join together to promote tourism as a whole, I would hate to see those types of potential matters stymied because we did not provide the funding for him.

Ms. HECKLER. I would agree with my colleague. I am personally satisfied with the leadership exhibited thus far. I also think the administration has come a long way on this subject. Secretary Baldrige said he was supportive and did not believe of course in the Tourism Policy Act, and he then changed his position, modified it and became supportive of the passage of the act. He since has shown a great deal of support.

I think Mr. McCoy is really a visionary in terms of seeing what can be accomplished. So the question therein lies, what will we give the agency as a supportive mechanism to achieve the goals of the legislation?

That ball is in our court.

The USTTA has the same problems and Department of Commerce has the problems of all other agencies, that is they must deal with OMB, the octopus that wishes to devour all public spending. We are in the area of really competing with other dollars and other investments.

In my judgment as important as the industry is, I feel frankly, since the return to the United States in jobs and dollars is so significant, we should look upon this not as a promotion of an industry but the promotion of employment in America. I think that in that regard when we are faced with unemployment figures that are growing increasingly and alarmingly high, that the investment in job-producing areas of the economy should receive the support of the subcommittee, the committee and the whole Congress.

I think we have good leadership but they have not gotten the tools yet and frankly, we simply have to override OMB. Earlier Mr. Stockman was not the most enthusiastic supporter of the concept of the Policy Act and he later modified his position and I think it is time to require another modification because we are talking about very signficiant economic impacts for the country.

I think we have the leadership, there are superb advisers in the field who have given, even to our caucus, enormous time at the highest level of expertise, because of the capacity and potential of a new implementation of a policy for the first time on the national level. I think this is the time to act with their expertise and with their input and I have great confidence that Mr. McCoy will mar-

shal the best minds to the task of implementing a very dynamic policy, but he cannot do it if we do not give him the resources.

Mr. LEE. Mr. Chairman, I have one more question.

I accept your philosophy 100 percent that this is indeed an investment which was converted to an increase in the gross national product for the country. What appropriate level do my colleagues feel would be appropriate for funding. 5 million certainly is not.

Do you have a target in mind?

Ms. HECKLER. Well, I have reached no—I do not believe there has been consensus on the s ıbject.

Mr. BONER. I do not know that the caucus has taken a position officially on that.

Ms. HECKLER. No, we have not.

Mr. BONER. I think it is interesting to notice around the world and I am throwing these figures out off the top of my head, but I believe it is Belgium who maybe spends like $7 million, the United Kingdom I believe spends over $40 million on tourism promotion.

I do not know that we have an official position and I would not want to come before the committee and throw out a figure without having consensus of the entire caucus.

Mr. FLORIO. Would the gentleman yield?

Mr. LEE. Yes, I yield.

Mr. FLORIO. For the record, this subcommittee is required to make budget recommendations to the full committee and the full committees make their budget recommendations. The preliminary number that this subcommittee has recommended is $10 million as an appropriate authorization for budgetary processes.

Mr. Scheuer.

Mr. SANTINI. May I observe that would put us slightly under the contribution that Hong Kong makes to its national tourism promotions.

Mr. SCHEUER. Thank you very much. I want to thank my colleagues, Mr. Boner and Ms. Heckler for their very knowledgeable and thoughtful statements. For the life of me I cannot understand this administration's policy. You just heard Congressman Santini say that we are spending less than Hong Kong. I have visited U.S. Travel Service offices in England, France, Germany, Japan, Canada, and I have never yet seen one that is on the ground floor. They are hidden away upstairs someplace. Bizarre.

Talk about Singapore, the Singaporian offices and their literature are elegant, they are beautifully put together by professions and that is true not only of very tiny little countries around the world like Singapore and Hong Kong, but very poor countries like the Sri Lanka, like Kenya, I would not even mention others, but countries all over the Third World that are desperately poor but who have tourist facilities and tourist attractions.

They are hiring the most sophisticated professional talent to put out brochures and handle their campaigns.

So for the life of me I cannot understand why the United States is not willing to let peoples in other countries know of our glorious heritage and glorious touristic attractions. I leave it to the industry and airlines to fight over the trade that comes here as between Williamsburg and Sarasota, Fla.

Fine, that is the role of the free enterprise system. But it seems to me there is an obvious role that most of the governments in the world are playing to the hilt including the attractions of their country. You can justify this as sheer patriotism, you can justify it as contributing to our solution of the adverse balance of trade.

You can justify it by every concept of Reaganomics as stimulating the private sector, as taking the responsibility really away from government to employ our people, but to provide a little bit of that seed money that would stimulate the private sector and not big business where most of the new jobs are not created, but stimulating little business where most of the jobs come from and not little business in high technology where the new jobs are very sophisticated jobs involving Ph. D.'s, but small businesses involving entry level jobs.

Particularly the kind of jobs that our country desperately needs to help our minorities, to help our poor people get their leg on the ladder, get their first footstep right on the bottom rung of that ladder and a chance to work up the ladder.

Private enterprise can do the job, is doing the job, it does not require government training money, does not require government contributions to wages. This is a free private enterprise sector employment program that is aimed exactly at the group with which we are having the most perplexing time and the most difficulties in finding the formulas to get them into gainful employment.

A little bit of seed money, far less than what most other countries in the world are doing, would accomplish this, Mr. Chairman, and I think it is just absolutely beyond doubt that this very modest government role in developing this free enterprise activity is long overdue and we ought to get on with the job.

Mr. FLORIO. Thank you. I, too, would like to express my appreciation and enforce one of the points you have made. We have a copy of the marketing plan submitted just last week and I, too, am very impressed with Mr. McCoy's operation and sincerity he has in doing what he can do, unfortunately with the limited resources the budget provides.

He will probably not be able to do much because we see he put forward some scenarios available for different funding. At the $5 million figure the whole purpose of the plan of course is marketing costs and marketing programs, and under the $5 million figure all the traditional marketing programs, brochures, displays, tours, have no funding, zero.

That is to say, what $5 million would buy is U.S. rent and salaries and nothing that is really the heart of the marketing option. I think it is not sufficient for everyone, whether it be the Director of the Office of Marketing and Budget or anyone else in the administration to say we are supportive and not provide the resources to follow up.

Mr. Watt is supportive of the wilderness and then put forth policies that may not be in the interest of the wilderness.

Yes.

Mr. SCHEUER. On that very point, in these various USTS offices that I have visited I have been very much impressed with the quality of leadership in those offices, and they are the first to tell you this is really a wasteful enterprise we are involved in because the

bare bones budget we get is just really enough to pay our salaries, heat, light, power, rent, with very little left over for promotion, for literature and promotional tours of the leading travel agencies, and they say to me, what is the point of paying our salaries if they will not give us the tools to do the job?

These are highly professional men who know how to put together programs, they need very, very little in the way of pomotion on any comparative basis, a few million dollars for promotional literature and they feel that would be much more effective than they are able to be now.

What we have done is spent the money to provide the offices and personnel and denied them the tools. They are utterly frustrated at the silliness of this and I think Congress should be, also, and they say either put us out of business if you really do not want to do this properly, or give us the tools to do the job that we are quite capable of doing.

I endorse that.

If we are honest with ourselves we should wipe out USTS or if we are going to have a USTS—and I am heartily in favor of doing it—then we ought to do it professionally and properly and give them the tools to do the job they can do.

Mr. FLORIO. Thank you very much. We appreciate your appearance.

We are pleased to have as our next witness Hon. Peter McCoy, Under secretary of Commerce for Travel and Tourism, U.S. Department of Commerce.

Welcome to the committee. We appreciate your participation this morning.

STATEMENT OF PETER McCOY, UNDER SECRETARY OF COMMERCE FOR TRAVEL AND TOURISM, DEPARTMENT OF COMMERCE

Mr. FLORIO. Your statement, Mr. McCoy, will be made a part of the record. You may feel free to proceed in any way you see fit. We would ask for the record that you introduce your colleague and feel free to proceed.

Mr. MCCOY. With me is David Edgell from our Policy Office.

If I may I would like to submit my comments for the record and summarize.

Mr. FLORIO. Without objection.

Mr. MCCOY. Mr. Chairman, members of the committee, I am pleased to be here today to testify in support of legislation to reauthorize the U.S. Travel and Tourism Administration.

I would like to begin by making a few observations about the impact of tourism on the economy, the future prospects of U.S. tourism and the principal issues facing the travel industry.

First, international tourism: International tourism receipts rose roughly 15 percent to $11.7 billion. This was an all time record and marked the first time that U.S. international tourism receipts equaled U.S. international tourism payments to other countries.

Despite the fact that the tourism account moved into balance last year and U.S. transportation receipts from foreign passengers

increased 24 percent, the U.S. travel deficit widened for the first time in 5 years. The deficit totaled $1.9 billion.

Passenger fares paid by U.S. nationals to foreign air carriers—and I call your attention to this fact—accounted for virtually 100 percent of the deficit. This gap between U.S. fare payments and U.S. fare receipts was the largest on record, and its causes are worth noting.

Perhaps as troubling as our growing transportation deficit is the fact that the U.S. share of the world's tourism receipts has been eroding since 1976 and has remained below the 11-percent mark since 1978.

Clearly, one of our goals as a nation should be to expand the U.S. share of world transportation and tourism receipts.

Trading partners whose industries have become more efficient than ours are penetrating markets which we have long taken for granted. The United States is losing its share of certain international goods markets. Merchandise imports are on the rise. Last year, the merchandise trade was in deficit by $27.6 billion.

Clearly, we must seek out new markets and trading opportunities; and earn the foreign exchange necessary to finance our mounting merchandise trade deficit.

The international tourism market is a growing one and represents a significant opportunity to increase export receipts. World international tourism receipts last year exceeded the $106 billion level. Since 1960, the value of world international tourist expenditures has risen by more than 1400 percent.

The United States has ranked consistently as the world's number one international tourism receipts earner. Last year, this country earned almost twice as much from international tourism as the number-two-ranked country, Italy, and more than five times as much as Canada.

Obviously, we enjoy a comparative advantage in the international tourism market and should be able to increase our share of that market—provided we compete effectively.

In most industries, competition is between companies; in tourism, because international tourist receipts are an important source of export revenue, competition is between governments. More than 120 governments, including all of the major industrialized nations, operate national tourist offices. A principal function of all of these offices is to increase the national share of total international tourism receipts.

Sixty percent of the world's international tourism expenditures are generated by just 24 countries: the members of the Organization for Economic Cooperation and Development. Of these, approximately 15 account for 94 percent of that market.

These 15 are the markets upon which the promotional efforts of 120 government tourist offices are concentrated. Competition is intense. More than 68 governments have national tourist offices in the United Kingdom alone and are competing for the discretionary "travel dollars" of British residents. Fifty-two governments operate national tourism offices in the Federal Republic of Germany, and 48 in France.

Not surprisingly, more National Government Tourism Office promotional resources are concentrated on Europe than on any other region in the world.

Our basic strategy is to maintain an office staffed by trained Tourism-marketing specialists in each of the six key markets abroad. The reason for this strategy is simple: Tourism information offices represent the marketing tool most commonly employed by the world's national government tourism offices.

The committee has asked for, and received, copies of our proposed marketing plan for fiscal year 1983, and I believe that members and their staffs have had an opportunity to review it. Therefore, instead of reciting the contents of the plan in greater detail, I would simply request that it be inserted in the record, and I would like to make myself available to answer any questions.

First, however, I would like to offer a few thoughts for your consideration. The travel industry is highly fragmented: It is comprised of businesses in more than 30 different SIC code categories, and these businesses are represented by nearly 40 trade associations.

The travel industry is also highly decentralized: It is composed of more than 1 million small businesses located throughout the United States and its territories.

Partially for these reasons, and partially because many of our principal tourism resources are publicly owned and maintained, the travel industry is an amalgam, part public, part private.

The success of any "visit U.S.A." effort both now and in the future, will depend upon our ability to marshal these disparate elements and to weld them into an effective working coalition. The task will not be easy. No other country in the world has such a large, complex and far flung travel industry.

But I promise you that I will take on this task; that I am firmly committed to the national tourism interest; and that my staff and I will do our very best to defend that interest.

[Mr. McCoy's prepared statement follows:]

TESTIMONY OF

THE HONORABLE PETER MCCOY

UNDER SECRETARY FOR TRAVEL AND TOURISM

Mr. Chairman. Members of the Committee.

I am pleased to be here today to testify in support of legislation to reauthorize the U.S. Travel and Tourism Administration.

I would like to begin by making a few observations about the impact of tourism on the economy, the future prospects of U.S. tourism and the principle issues facing the travel industry.

I. INTRODUCTION

By any standard of performance, tourism to and within the United States is growing, and, barring major catastrophe or disruption in the distribution of fuel, should continue to expand at a healthy rate. Yet, to characterize the state of tourism -- and the tourism industry -- is not an easy assignment.

Simple conclusions cannot be drawn. Sweeping generalizations are not useful. 1981, for the travel industry, was a year of paradox and mixed results:

-- domestically, tourism receipts and number of trips were up, but much of the growth in receipts was attributable to inflation;

-- vacation trips rose, but convention-related travel declined;

-- lodging industry receipts increased and room occupancy rates climbed slightly;

-- current dollar revenues for intercity bus companies were up slightly, but there was no growth in real terms;

-- airline international revenue passenger miles inched up 3%, but domestic revenue passenger miles fell nearly 5% and the average passenger load factor for the industry was below the 1980 level. The carriers suffered an operating loss of between $250 and $300 million.

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In short, the travel industry in 1981 was an economic sector buffeted by the forces of inflation, recession, deregulation of the airline and motorcoach industries and by the lingering effects of the air traffic controllers' strike on the airways system. Some segments of the industry withstood those forces better than others.

II. INTERNATIONAL TOURISM IN 1981

The U.S. tourism "product" -- in the sense of gross national "product" or net national "product" -- is comprised of two distinct components: international and domestic. I would like to call your attention to the more important developments which occurred last year within each of those components. Let me caution, however, that my observations are based on preliminary data.

First, international tourism:

International tourism receipts rose roughly 15% to $11.7 billion. This was an alltime record and marked the first time that U.S. international tourism receipts equaled U.S. international tourism payments to other countries.

Most of the growth in U.S. receipts was attributable to inflation in the U.S. tourism sector. Real growth, measured in terms of constant dollars, amounted to only 5%, the lowest since 1979 and below the annual average.

1981 was the ninth straight year in which real growth in tourism receipts outpaced real growth in tourism expenditures, however.

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The Travel Deficit

Despite the fact that the tourism account moved into balance last year and U.S. transportation receipts from foreign passengers increased 24%, the U.S. travel deficit widened for the first time in five years. The deficit at yearend totaled $1.9 billion.

Passenger fares paid by U.S. nationals to foreign air carriers -- and I call your attention to this fact -- accounted for virtually 100% of the deficit. This gap between U.S. fare payments and U.S. fare receipts was the largest on record, and its causes are worth noting.

First, the composition of the air travel market is changing. The foreign national share of the total market was 37.7% in 1970. Today it is approximately 52%.

Second, for a variety of reasons, including practices of foreign, government-owned airlines, U.S. carriers have had little success in penetrating the foreign air market. Overall, the U.S. flag share of the foreign citizen air market has remained at about 41% for the past decade.

Third, foreign carriers have increased their share of the U.S. air market. In 1970, the foreign flag share of the U.S. market was 38%. Today it is 44%. The only segment of the U.S. market in which U.S. carriers have achieved an increase is the South American segment.

I am not unmindful that my Department -- in fact, my agency -- is vested with authority to "encourage to the maximum extent feasible travel to and from the U.S. on U.S. carriers."

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The former Assistant Secretary for Tourism sent out a mailing to the CEOs of the Fortune 2000 urging adoption of a corporate policy requiring company employees to use U.S. airlines when traveling abroad on business. At least 88 companies reported that they already had such a policy. Thirty-three wrote that they would institute a policy. Thirty-six responded that they could not support a "Fly U.S. Flag" policy. Although the response was mixed, we will consider a similar effort in the future.

Trends in Shares of Tourism Receipts

Perhaps as troubling as our growing transportation deficit is the fact that the U.S. share of the world's tourism receipts has been eroding since 1976 and has remained below the 11% mark since 1978.

On the other hand:

1. The U.S. share of regional tourism receipts (those earned by countries of the western hemisphere) has been expanding steadily over the past two decades, and has risen from a low of 38% in 1960 to nearly 51% in 1981,

2. U.S. receipts from international tourism are growing faster than U.S. export earnings as a whole, and

3. The United States earns more from international tourism than any other country in the world.

Clearly, however, one of our goals as a nation should be to expand the U.S. share of world transportation and tourism receipts.

Tourism and the U.S. Trade Position

Trading partners whose industries have become more efficient than ours are penetrating markets which we have long taken for granted. The United States is losing its share of certain international goods markets. Merchandise imports are on the

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rise. Last year, the merchandise trade was in deficit by $27.6 billion.

Clearly, we must:

-- seek out new markets and trading opportunities; and

-- earn the foreign exchange necessary to finance our mounting merchandise trade deficit;

The international tourism market is a growing one and represents a significant opportunity to increase export receipts. World international tourism receipts last year exceeded the $106 billion level. Since 1960, the value of world international tourist expenditures has risen by more than 1400%.

The United States has ranked consistently as the world's number one international tourism receipts earner. Last year, this country earned almost twice as much from international tourism as the number-two-ranked country, Italy, and more than five times as much as Canada.

Obviously, we enjoy a comparative advantage in the international tourism market and should be able to increase our share of that market - provided we compete effectively.

Competitive Environment

In most industries, competition is between companies; in tourism, because international tourist receipts are an important source of export revenue, competition is between governments. More than 120 governments, including all of the major industrialized nations, operate national tourist offices. A principal function of all of these offices is to increase the national share of total international tourism receipts.

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Sixty percent of the world's international tourism expenditures are generated by just 24 countries: the members of the Organization for Economic Cooperation and Development. Of these, approximately 15 account for 94 percent of that market.

These 15 are the markets upon which the promotional efforts of 120 government tourist offices are concentrated. Competition is intense. More than 68 governments have national tourist offices in the United Kingdom alone and are competing for the discretionary "travel dollars" of British residents. Fifty-two governments operate national tourism offices in the Federal Republic of Germany, and 48 in France.

Not surprisingly, more National Government Tourism Office promotional resources are concentrated on Europe than on any other region in the world.

REGIONAL MARKETS ON WHICH ALL REGIONS' TOURISM PROMOTION RESOURCES ARE CONCENTRATED*

(Percent of resources)

	MARKETS						
Regions	Europe	Americas	E. Asia	S. Asia	M. East	Africa	Unspecified
S. Asia	61.7	21.1	17.1	—	0.1	—	—
Europe	56.9	26.7	2.3	—	—	0.1	14.0
Africa	56.8	12.3	12.3	0.4	—	—	30.5
Americas	25.2	57.3	5.8	—	—	—	11.7
E. Asia	11.6	27.1	48.9	4.6	0.6	—	7.2
M. East	—	—	—	—	—	—	—

SOURCE: World Tourism Organization

* Figures are for National Government Tourism Offices only.

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Marketing Plan

Our draft Marketing Plan is designed to deal with this formidable competitive environment.

Our strategic objectives are:

1. To cause the most productive wholesale and retail travel agents in the markets of greatest potential to increase the volume of VISIT USA business they sell,

2. To persuade potential customers in markets of hign per capita expenditure to select the U.S. over competing destinations,

3. To persuade print and broadcast journalists in the markets of greatest potential to increase the portion of print space and broadcast time they devote to U.S. destinations,

4. To increase the number of U.S. firms promoting their services in those foreign travel markets of greatest potential, and

5. To increase the number of U.S. states and cities promoting their facilities and attractions in those foreign travel markets of greatest potential.

Basic Strategy

Our basic strategy is to maintain an office staffed by trained tourism-marketing specialists in each of the six key markets abroad. The reason for this strategy is simple: tourism information offices represent the marketing tool most commonly employed by the world's national government tourism offices.

In addition to the six Regional Offices which provide general services to the trade and foreign visitors, we will maintain an International Congress Office in Paris to solicit convention business.

The six Regional Offices will concentrate on four types of functions:

(1) educating and motivating the producers and retailers of travel to sell the United States as a destination;

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(2) providing informational materials and services to individual prospective foreign visitors;

(3) assisting U.S. and overseas tourism interests to promote and sell the VISIT USA travel product in the international market place;

(4) stimulating demand for the U.S. travel product through public information programs abroad.

The International Congress Office will provide liaison between international associations in the market and U.S. convention bureaus interested in soliciting this large-scale visitor business. In FY1982, this office plans to assist in securing approximately 30 international congresses, which are expected to generate $30 million in export revenues for the United States.

The activities I have just enumerated would be carried out at the funding level requested by the Administration. Other marketing tools and activities would be attempted if alternate funding becomes available. These include:

(1) Promotional literature in five major languages;

(2) Mail house services for the literature;

(3) VISIT USA travel information services for the public;

(4) "Product" information placement;

(5) Port receptionist services at 12 major U.S. ports of entry;

(6) Research; and finally,

(7) Training and Technical Assistance for the U.S. based travel industry.

Let me explain this last activity. We would implement those provisions of the National Tourism Policy Act which require USTTA to "develop and administer a comprehensive program relating to. . . training, education and technical assistance. . ." and to "develop

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a program to seek and receive information from. . .consumer and travel trade associations regarding the needs and interests which should be met by a Federal agency or program. . ." One option might be to train U.S. domestic commercial service officers to provide liaison between USTTA and tourism elements in their assigned territories, and encourage the development of regional and inter-functional tourism programs.

We estimated that $5 million in public sector funding and $7 million in alternate funding would be necessary in order to operate a full program.

The Committee has asked for, and received, copies of our proposed marketing plan for FY1983, and I believe that members and their staffs have had an opportunity to review it. Therefore, instead of reciting the contents of the plan in greater detail, I would simply request that it be inserted in the record, and I would like to make myself available to answer any questions.

First, however I would like to offer a few thoughts for your consideration.

- The travel industry is highly fragmented: it is comprised of businesses in more than 30 different SIC code categories, and these businesses are represented by nearly 40 trade associations.

- The travel industry is also highly decentralized: it is composed of more than one million small businesses located throughout the United States and its territories.

- Partially for these reasons, and partially because many of our principal tourism resources are publicly owned and maintained, the travel industry is an amalgam, part public, part private.

The success of any VISIT USA effort both now and in the future, will depend upon our ability to marshal these disparate elements and to weld them into an effective working coalition. The task will not be easy. No other country in the world has such a large, complex and far flung travel industry.

But I promise you that I will take on this task; that I am firmly committed to the national tourism interest; and that my staff and I will do our very best to defend that interest.

Thank you.

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Mr. FLORIO. Thank you very much. Let me ask at the outset two fundamental questions. I note on page 8 of your testimony you indicate that unless alternative funding is available there are certain functions that will not be able to be carried out. I would note that some of these functions, port reception services, market research, training and technical assistance for U.S. based travel industry, are mandatory duties under the statute.

In other words, you are saying that under the authorization request of $5 million, you will not be able to carry those functions out and really do not have the discretion to make the decision.

I am wondering why the adminstration has not requested that minimal amount of money necessary for you to carry out the mandatory requirements of the statute. Do you have some suggestion as to why that is the case?

Mr. MCCOY. I think the administration's suggestion of a $5 million budget is for those marketing efforts that we undertake in the field. We would have to address the issue of alternate funding in those areas.

Mr. FLORIO. Let me see if I can make it a little clearer. That is not something the administration has discretion over. When the Congress says you shall do thus and so, the responsiblity of the administration is to request adequate funding to carry out the law.

Now if it is discretionary, that is fine, but these are things specifically spelled out as being required to be carried out and if the administration does not request the funding to carry it out, you are disregarding the clear intent of the Congress.

Mr. MCCOY. I understand, sir. I believe the National Tourism Policy Act does suggest that alternate funding should be looked at and be addressed and the administration looked to that to fund many of these programs.

Mr. FLORIO. Let's assume the Congress rejects the suggestion of alternate funding. There is no alternate funding.

Now we have a budget that is not sufficient to carry out the law.

Mr. MCCOY. If alternate funding were not an alternative written into the Tourism Policy Act, then I would have to agree and say that more money would be required in lieu of any alternate funding.

Mr. FLORIO. Let me ask one more question which makes it more specific, the question of the need for the Administration to request sufficient moneys at the outset to carry out those minimal requirements that are spelled out in the law as being mandatory. The law which passed last year required that expenditures for the overseas office not be less than the amount obligated in 1980 for such activities.

In 1980 there were $6.4 million authorized for foreign service activities. Of course that is $1.4 million above the total request; inasmuch as the law spells out there shall not be less provided for foreign service operations, in 1980 the request does not comply with the clear statement of the law.

Mr. MCCOY. Yes, sir. I again believe that the administration's $5 million number is the President's suggestion and the budget process goes on from there.

Mr. FLORIO. Thank you very much. I am assuming that that means that your recommendations to this committee, whether we

authorize $10 million preliminarily presented for budgetary purposes, or other numbers, that that would not—you would not vigorously oppose that authorization?

Mr. McCoy. I would certainly take that under consideration when it was presented.

Mr. Florio. Well, we would hope that it would be in the interplay between OMB and the ultimate recommendations of the Congress. We would hope we have a supporter in the Department who would feel that the moneys that have been requested to this point are not adequate.

I think that is going to be the consensus coming out of here from my preliminary discussions with other members of the subcommittee. The moneys requested by the administration are not adequate for the minimal functions spelled out in the law.

Mr. McCoy. Mr. Chairman, as I stated in my statement, I am a strong advocate of the national tourism interest.

Mr. Florio. Thank you.

Mr. Lent.

Mr. Lent. Thank you, Mr. Chairman.

Let me phrase the question a little different from the chairman and ask you this, in your opinion how much should the USTTA budget be in order to do what you consider an adequate job of promoting tourism?

Mr. McCoy. I think aside from the budgetary aspect as outlined in our marketing plan to achieve certain levels of promotion that we have indicated in their levels at $10.5 and $12 million. That is outlined in the marketing plan.

Mr. Lent. Well, what kind of a job do you think you would be able to do if the budget were only to be $5 million?

Mr. McCoy. We would certainly have to look at prioritizing many of the traditional aspects of what our field offices have done and look at alternate forms of funding those very basic needs of our overseas offices. You have to remember that the travel decision is made well in advance by most of your wholesale operators and retail operators. The travel decisions for next season have probably already been made.

So you are essentially talking about a period from now to October to put substantial sums of alternate funding in place in order to gear up for that decisionmaking process that would take place a year from now by most of your wholesale and retail operators.

Mr. Lent. And the record will take note of the fact that at page 41 of your marketing plan, you give four different scenarios for the Department of Commerce, USTTA involving agency costs of $5, $8, $10, and $12 million.

Mr. McCoy. Yes, sir.

Mr. Lent. Mr. McCoy, in your opinion does the United States need to have the same kind of involvement in tourism promotion as does, say, a Third World country?

Mr. McCoy. Oh, I certainly think so. You know, we have something that—as has been well stated earlier, it is an industry here in this country that employs 4.5 million people directly and another 2 million in alternate areas. The competition is quite intense in travel. With the Visit USA seminars in Australia and New Zealand last month and having come off the International Travel Con-

ference in Berlin, the ITB, there were 23 halls the size of football fields filled with destinations, and the choice that the traveler has out there is unlimited.

The competition is very, very fierce. It is as easy for a tour wholesaler to fly his clients to Spain as it is the coast of America. The costs may be the same, but the appetite for the retail consumer has been whetted. It has sparked an idea. The same thing that makes us take a vacation at a given location. Why do we go there?

Well, we have seen or read something and then we want more information on it. Very few of us go to a destination because an airplane goes there. There is something that happens in that promotional area.

So I feel very strongly that it is an area of intense competition and something that we have to be very competitive at.

Mr. LENT. Thank you.

Mr. FLORIO. Mr. Santini.

Mr. SANTINI. Thank you, Mr. Chairman.

Mr. McCoy, in studying what other countries have done and done successfully in advancing the interests of tourism and travel, I note that many countries impose a departure tax with receipts going to tourism promotion. I did not notice any part of your report that mentions this.

Have you considered this as a future revenue source in support of USTTA?

Mr. McCOY. I myself thought of it as I left Australia and went to a window and had to pay $20 to get out of the country.

Mr. SANTINI. Supposing it was only 19?

Mr. McCOY. There are well over a hundred countries that do have a departure tax or departure fee of one kind or another for promotion of their tourist interests.

Mr. SANTINI. Have you considered it as a possible alternative funding source for the USTTA?

Mr. McCOY. I am not sure how I might answer that one. As I mentioned, I had thought of it when I paid it, yes.

Yes, it could be something that we would consider.

Mr. SANTINI. All right.

Mr. McCOY. It certainly adds a long range dimension to the national tourism interest. As you stated earlier, the frustration of going through the process, it inhibits to a certain extent what one can do in long range planning. Right now in the ideal world the United States should be planning its promotional campaigns for 1985. We should be way out in front of the effort. Unfortunately, in that you do not know, one does not know what kind of funding is available from time to time, it is difficult to plan that far ahead.

Mr. SANTINI. I am looking at the chairman of this committee, as the chairman has been looking in the past, for alternative sources of funding that would insure that your agency and your successor in that agency would not have to go in and genuflect at the OMB altar of appeal to ask that you not be sentenced to extinction before the lord and master that resides there.

I am enough of a realist to believe that that prejudiced mindset in OMB will not change. Therefore we have to look at more constructive ways in the future to provide funding assistance to your agency.

In your executive summary you refer to alternative funding possibilities including user fees. What user fees were you referring to?

Mr. McCoy. That would be reimbursement for the promotional literature that we do produce and that we could produce. In meetings I have had with the British Tourist Authority and subsequently the London Tourist Board, they do a remarkable job in recovering expenditures on various periodicals and travel documents.

I think the number may be as high as $10 to $15 million that they recover on various publishing efforts.

But of course, they have the seed money to start that process.

We are looking very seriously at the quantum users of much of our promotional material.

Mr. Santini. Mr. McCoy, I respectfully suggest that that kind of funding source will hardly be adequate to meet the statutory mandate as well as the expectation we have of a viable, active aggressive United States of America advancement in the foreign marketplace.

Your situation is a little like the carpenter who is asked to come over and build a house and is given the orders and the contract to build the house and they refuse to give him hammer, nails, saw or tools necessary to build the house.

This house I think is a very important structure in the economic stablity of this nation and its future.

The sad adversary is not yourself and I appreciate that. You are sort of, you know, you are set out on a leash that strangles you every time you suggest or intimate that there may be additional dimes and dollars to do the job, and it is the most frustrating job in the world I imagine, you are not the only one in this time of budget deficit to be faced with this, but you are unique in the sense that you happen to represent an agency that could if left to do its statutory as well as practical job, could produce a great deal more revenue for the Treasury that is so depleted and depressed right now.

Yet, the business as usual mentality prevails over there at OMB. The act specifically mandates the staffing and funding level for USSTA's overseas operations. But correct me if I am wrong, Peter, would this not necessitate a minimum of $6.4 million?

I believe it is $6.4 million.

Mr. McCoy. I believe so. To maintain what you were doing in the form you have been doing it, yes.

Mr. Santini. Yet, you are proposing in the face of a minimum $6.4 million to operate the overseas office, you recommend a million dollars in the budget.

The Washington office, would it be eliminated and you all move to Paris or something? I do not know how many in that hearty band of yours speak French, but that is the reality of that budgetary contridiction, Mr. McCoy. Would it require staff transfer? If we stuck strictly to the $5 million, would it?

Mr. McCoy. If we were unable to acquire alternate funding sources for similar promotional activities, we would have to address ways of maintaining various staff levels and programs at the $5 million level.

Mr. Florio. Would the gentleman yield?

Mr. Santini. Yes.

Mr. FLORIO. I understand what you are saying. When the administration comes in and provides for less money than is required to carry out the minimal mandatory requirements, you then add on to your comment that alternative funding may be available. I am assuming that the intent of the administration was that there would be alternative funding because we assumed that the administration is aware of its obligations to carry out the law.

Now, I think if that is the assumptions that we are working under, you have a responsibility to come forward with some realistic alternative funding suggestions. If you say $5 million-plus *x* amount in alternative funding will enable us to carry out not only the minimum requirements of the law but the new initiatives, that in a sense would provide you with the responsibility to make some suggestions.

We ultimately make the decision but you are the experts in this area, you know what will be productive and what will be counterproductive if we were to start making suggestions about departure taxes and things of that sort. We would like to hear from you, your agency, as to what you think a reasonable alternative funding mechanism might be to get you at least to the point of being able to carry out the law.

Mr. MCCOY. Our overseas offices at the $5 million level will in fact be able to sustain many of the activities that they have done in the past which is to counsel overseas purchasers, to educate them, liaison with wholesalers and retailers, to organize travel missions and trade shows, those being the self-liquidating aspects of what we do.

I am sure that in the 6-month period one has to address the forms of alternate funding that promotional literature, if one were to address it in a piecemeal fashion, that we could undoubtedly find funding hopefully maybe from cities, States, on that portion of the printed material we supply.

Mr. FLORIO. Is it safe to say we hopefully can find this resource? We are talking about the 1st of October when this budget goes into effect.

Mr. MCCOY. Exactly. The other aspects that I would look to the Travel Advisory Board for advice and counsel on ways that they can do it. You know, we are talking about a substantial sum of money that has to be raised to keep the travel service at a level it is at now.

As Mr. Santini alluded to, it created 35 percent of the new jobs in 1980. Contributed over $35 billion in wages and salaries. And more than $18 billion a year in Federal, State and local taxes.

Mr. FLORIO. We know all of those things: That is why we are here. We are saying we know that is the case and that is important and a certain amount of minimal funding is required under the law that is not being requested.

What we will be doing is deliberating to find out how the alternative funding amounts should be raised other than perhaps just appropriations.

We may just decide to authorize more money than has been requested.

I think what I am saying, and I think what the other members are saying, is that we would like the benefit of your expertise as to

alternative sources of funding since that seems to be what the administration is saying is the means of lifting the level of funding up beyond what they have requested.

That is really what we would like to receive from you at your earliest convenience as to your specific suggestions as to how we raise at least $1.4 million beyond your request for foreign service offices, which is required under the law.

Mr. McCoy. We will supply that to you.

[The following information was received for the record:]

BUDGETS OF SELECTED NATIONAL TOURIST OFFICES
(Millions of U.S. $)

Country		1979	1980	1981
Bahamas:	Total	$15.0	$19.7	$20.1
	Promotional	9.0	12.0	10.0
Belgium:	Total	$52.6	$51.1	$44.6
	Promotional	7.7	7.8	7.1
Canada:	Total	$24.0	$25.5	$29.1
	Promotional	19.1	21.1	23.1
France:	Total	$35.8	$39.0	NA
	Promotional	8.6	13.0	NA
Hong Kong:	Total	$ 7.9	$ 8.7	$10.6
	Promotional	5.6	6.3	7.7
Jamaica:	Total	$ 9.0	$ 8.3	$12.8
	Promotional	3.5	3.7	6.7
Japan:	Total	$ 9.9	$ 8.8	$ 9.6
	Promotional	4.9	4.8	4.6
Mexico:	Total	$20.0	$22.0	$20.0
	Promotional	NA	NA	10.0
Singapore:	Total	$10.7	$12.5	$24.3
	Promotional	5.9	6.5	9.4
Turkey:	Total	$56.5	$31.7	$62.1
	Promotional	6.7	8.1	12.3
United Kingdom:	Total	$32.3	$39.0	$41.0
	Promotional	18.5	26.3	26.8
United States:	Total	$13.5	$ 8.0	$ 8.0
	Promotional	11.1	6.4	6.5
West Germany:	Total	$16.4	$17.1	$15.8
	Promotional	9.3	8.5	7.9

NOTE: USTTA budgets in FY1982 and FY1983(projected) are: 1982: Total, $7.6 million; Promotional, $6.4 million. 1983: Total, $5.0 million; Promotional, $3.3 million.

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Mr. FLORIO. Thank you.

Mr. SANTINI. I realize you are under the strangulation-leash from OMB. I would commend you in the context of your survival initiatives here your moving forward very aggressively with your small and noble band to get the Travel Advisory Board appointed, to establish the Interagency Policy Council.

Has your Interagency Policy Council been reviewing the CAB-proposed competitive marketing case, the early sunset and impact on travel impacts in the United States?

Mr. MCCOY. Not at this time. We have created facilitation committees and we have another meeting on April 2 and would hope to—believe that that would be the facilitation of that, and we have been talking about the visa waiver.

Mr. SANTINI. Page 3, third paragraph, you say,

> First the composition of the air travel market is changing. The foreign national share of the total market was 37.7 percent in 1970. Today it is approximately 52 percent.

That is a significant increase over the domestic share.

Continuing to quote at the fifth paragraph:

> Third, foreign carriers have increased their share of the United States air market.

You say:

> In 1970 it was 38 percent, today it is 44 percent, the only segment the U.S. market in which U.S. carriers have achieved an increase is the South American segment.

It seems to me that another major thrust and threat to the health and vitality of tourism and travel is to assess the impacts of CAB deregulation and future tourism and travel marketplace impacts.

Mr. MCCOY. Sure.

Mr. SANTINI. I would very much hope that they would inquire and pursue that subject area, but it is contemporary, it is vital and relevant to today's tourism and travel marketplace.

You indicate there had been an initiative in the visa waiver proposal. Has the Interagency Policy Council asked Immigration and Naturalization to discuss the visa waiver proposal on its budget needs?

Mr. MCCOY. The State Department had the lead on visa waiver legislation and has been following through on the aspects of informing various members as to the benefits of it.

As of—the exact status, I believe it is merged or being merged with another bill.

Mr. SANTINI. I am sorry, I didn't understand the last part of that?

Mr. MCCOY. I believe the current status of the visa waiver legislation is that it is part of the omnibus package.

Mr. SANTINI. Is there sufficient funding in the Department budget to implement a visa waiver concept?

Mr. MCCOY. Yes, from our standpoint, and I think State's position on it was that it was one that would save considerable sums of money in the countries that visa waiver would likely be tried on.

Much of that is duplicitous and it is also a discouragement to many of the travelers from overseas that come to America.

Mr. SANTINI. So it is your understanding that the Department of Justice budget today would accommodate an implementation of visa waiver in fiscal year 1983?

Mr. MCCOY. Yes.

Mr. SANTINI. May I ask you, Mr. McCoy, what do you propose as an agenda for discussion by your new Travel and Tourism Advisory Board?

Mr. MCCOY. First and foremost, I think alternate funding.

I haven't really specifically sat down and outlined those, but certainly alternate funding would be one. Their interpretation of our marketing efforts and the marketing plan. It could be revisions as to line items within it. By that, I mean maybe they would indicate that consumer information needs need to be greater in one area than another. I think it would be very helpful.

A number of things.

Mr. SANTINI. Mr. McCoy, do you have a timetable for constructing that agenda?

Mr. MCCOY. No, but we will start working on it right away. In the last few weeks, we have been preparing the marketing plan and the various congressional hearings testimony.

Mr. SANTINI. What kind of funding is available for the expenses of the Advisory Board as noted in the act?

Mr. MCCOY. At this point in time, I think we have projected it at a cost of around $50,000 a year.

Mr. SANTINI. How many members on the board?

Mr. MCCOY. Fifteen.

Mr. SANTINI. $50,000, and 15. That will accommodate one luncheon in a Washington, D.C., hotel.

Mr. MCCOY. We will have to have everyone bring their own.

Mr. SANTINI. I am very much worried about this, Mr. McCoy, I know you share this concern and worry as well, that the Advisory Board not be some perfunctory, honorary title that is constructed to comply with the letter of the law, but not the spirit of the law.

Mr. MCCOY. Well, I think if one were to address the members that have been selected for inclusion on that Travel Advisory Board, they would not lend themselves to that.

Mr. SANTINI. Yes, but I suppose they can only be as effective as the support and help and assistance that you and USTTA are giving them and are permitted to give them, if you will.

Mr. MCCOY. Believe me, I would fully support them and look forward to working closely with them. As you well know, I am a bit of a novice in my new position and I wouldn't—I would look forward to receiving proper counsel from seasoned professionals in the industry.

Mr. SANTINI. You do have some excellent members. Again if they are thwarted or frustrated by the Government agency that they are supposed to be advising, they will get stalled before they get out of the starting gate and we don't want that to happen.

Let me ask you to wrap up, is this information that you have provided to the committee, the charts I am observing to my left?

Mr. MCCOY. Yes, sir, the questions on there?

Mr. SANTINI. Yes.

Mr. Chairman, could we have reduced duplications of those two charts, the 1981 budget of selected national offices; second, the in-

ternational promotional office maintained by the national tourism offices?

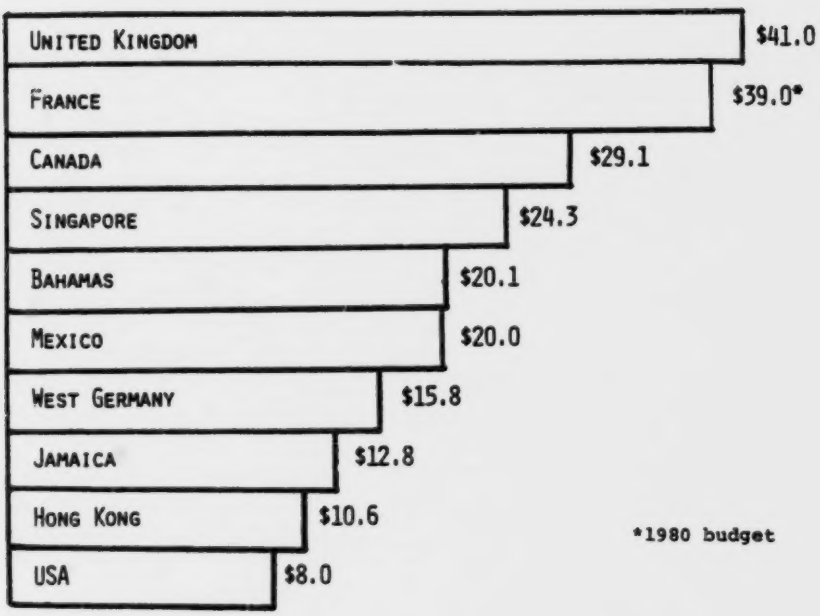
Could we have reduced examples of those in the committee record.

Mr. FLORIO. Yes.

[The following material was submitted for the record:]

1981 BUDGETS OF SELECTED NATIONAL TOURIST OFFICES

(MILLIONS OF U.S. $)



INTERNATIONAL PROMOTIONAL OFFICES MAINTAINED BY SELECTED NATIONAL TOURIST OFFICES

Country	International Offices In
Belgium	11 countries
Canada	8 countries (21 offices)
Finland	9 countries
France	13 countries (21 offices)
Greece	14 countries
Hong Kong	6 countries
Japan	11 countries (16 offices)
Macao	8 countries
Malaysia	8 countries
Mexico	13 countries (32 offices)
Netherlands	13 countries
New Zealand	6 countries
Singapore	5 countries
Spain	Worldwide
Switzerland	Worldwide
Thailand	7 countries
United Kingdom	20 countries (24 offices)
United States	6 countries (7 offices)
West Germany	14 countries (16 offices)
Yogoslavia	11 countries

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Mr. SANTINI. Thank you, Mr. Chairman.

Thank you for laboring with a difficult oar with one hand tied behind your back.

Mr. MCCOY. Thank you.

Mr. FLORIO. Mr. Lee.

Mr. LEE. Thank you, Mr. Chairman.

Mr. McCoy, it is encouraging for you to affirm the quote you gave of being a strong advocate of national tourism, but it is somewhat perplexing not hearing you being able to articulate the ingredients for implementation of the goals you espoused and the national plan you submitted to us.

First question, to carry out the successful implementation of a successful international tourism policy, do you want to see that accomplished in the private sector alone, the Government sector alone or do you want it accomplished as a combination between the two sectors?

Mr. MCCOY. I think it certainly has to be a combination of Federal Government effort, perhaps State, city, and private effort.

Mr. LEE. So it should be a quasi-private and public effort?

Mr. MCCOY. Yes, I was addressing more the funding aspect of it.

Mr. LEE. That is the point I want to come to. I think our distinguished chairman and Mr. Santini and Mr. Lent before all touched upon this very pivotal dimension.

You failed to outline for us particularly in your marketing plan, you outlined options for funding, but you don't get down to brass tacks in terms of how you want to fund the laudable goals that you are espousing in that written text.

I would like to focus on that particular point. Is it not possible for you to submit to this committee sometime in the foreseeable future, like 2 or 3 weeks, a preliminary outline as to how you want to fund this very important program?

Mr. MCCOY. Certainly. Again, I really think it is something that the Travel Advisory Board would be able to help with in which the——

Mr. LEE. If I may interject, sir, I respectfully disagree with you on that.

I think as the chief administrator of this important function that you have the administrative responsibility to outline some kind of budgetary outline for implementation of this program and then take it to the Advisory Board for their reaction and responses.

I would like to reiterate, is it possible you could submit to this subcommittee in the next 2 or 3 weeks a preliminary outline as to what implementation you would advocate for funding?

Mr. MCCOY. Yes.

[The information requested was not available to the subcommittee at the time of printing.]

Mr. LEE. I take the Australian example, you and Mr. Santini cited it, given the 290 million people that you cited were world tourists, if we put $1 tax departure on those people, that is $290 million, or if we used the Australian example, at $20, that would be $5.8 billion.

You could do a lot for tourism and trade.

Mr. SANTINI. And budget deficits.

Mr. LEE. So you will submit to us in the next 2 or 3 weeks some outline?

Mr. McCOY. Yes, sir.

Mr. LEE. Thank you.

Mr. McCOY. The 23 million arriving and departures in the United States is the number.

Mr. LEE. One last question, Mr. Chairman.

You give a great deal of accomplishment tribute to the $11.7 billion figure you cited for the balance of tourism between domestic and foreign travel; is that correct?

Mr. McCOY. Yes, sir.

Mr. LEE. To what criteria do you attribute that success? The fact we have balanced out the 11.7?

Mr. McCOY. I think world economies have a lot to do with it and the economy of this country and not as many outbound U.S. nationals traveling abroad. At the same time, we have increases from other markets. Inbound.

Mr. LEE. Would you concur that it is conceivable that we could expand that 11.7 billion for incoming dollars if we were to aggressively promote the domestic and international travel?

Mr. McCOY. Oh, certainly. Even as far as getting visitors to stay an extra 2 days, if they go to one location and another and getting them to spend additional sums in that category, yes.

In the New Zealanders, they spend $900 per capita on their visits here, for example. Australians are very high. Getting them to stay an extra day does wonders.

Mr. LEE. I thank the gentleman. I think your plan is excellent, but we need the guidance where you raise the money so we can get on with the task.

Thank you, Mr. Chairman.

Mr. FLORIO. I have one point. I remember reading the President's Caribbean Initiative. One of the things contained in there was added tax writeoff ability for trips to Jamaica, the type of treatment given to Mexico and Canada would be given Jamaica.

Off the top of your head, do you have any idea how that costs out? What the tax benefits for inducement for Americans to go to Jamaica would mean in terms of reduced revenues to the Treasury?

Mr. McCOY. No, I don't, but we can supply it, take an attempt at coming up with that figure.

Mr. FLORIO. I would provide not only that, but also the figure with respect to Mexico and Canada. I am curious that we are involved in an effort to try and induce foreigners to come to this country and we devote, I think, minimal resources to do that, at the same time that there are proposals coming out of the administration to induce Americans to go to Jamaica and existing programs providing incentives to go to other countries.

I am curious as to what the dollar balance would be. Might we not be better off using that amount of money for promotion of tourism to this country?

Mr. McCOY. Yes, sir.

[The information requested was not available to the subcommittee at the time of printing.]

Mr. SANTINI. Mr. Chairman, your point is exceedingly well taken and, Mr. McCoy, the talent of your council and advisory board is to focus in on that, the left hand and right hand, not coordinating activity, to appreciate the impact on the economy and tourism and travel.

I venture the tax loss would be a substantial multiplication of the budget proposal that you have been allowed to advance before this committee, and that the preposterous pennywise, pound foolish attitude about tourism travel when compounded with the absence of any interagency coordination of decisionmaking about loss of tax dollars revenues and impact on tourism and travel suggests that we are still in the context of business as usual insofar as Government decisionmaking and tourism and travel are concerned and I hope with your advocacy and leadership to the extent you are allowed to do that without garroting yourself in your administrative position, I guarantee you will be reinforced aggressively by this committee.

This committee has sort of run the gamut alone in past years. We are prepared to do it in future years, but we hope we don't have to do it alone, given your new profile and the new Government agency that we have created with USTTA and the hope that there is a new climate of enlightenment about to dawn on the administration horizon.

So far, the only glimmer of light we have seen in that regard has been your existence and your new agency.

We want to translate that into a much wider ray of hope on the horizon. I hope.

Thank you.

Mr. FLORIO. Thank you very much, we appreciate your presence, Mr. McCoy.

Mr. MCCOY. Thank you, Mr. Chairman.

Mr. FLORIO. Next we have a panel of distinguished witnesses, we welcome Richard Ashman, chairman of the Travel and Tourism Government Council; Mr. William Tooey, Mr. Norman Sherlock, and Mr. Al McDermott, Washington representative of the American Hotel & Motel Association.

Welcome to the committee.

Your statement will be made a part of the record. You may feel free to proceed in summary fashion.

Mr. Ashman, perhaps we would ask you to proceed.

STATEMENT OF RICHARD ASHMAN, CHAIRMAN; WILLIAM D. TOOHEY, VICE CHAIRMAN; NORMAN R. SHERLOCK, SECRETARY; AND AL McDERMOTT, TREASURER, TRAVEL AND TOURISM GOVERNMENT AFFAIRS POLICY COUNCIL

Mr. ASHMAN. Thank you very much, Mr. Chairman, and members of this subcommittee.

I am Richard Ashman, vice president of Government and Industry Relations, Holiday Inns, Inc. As chairman of the Travel and Tourism Government Affairs Policy Council, I wish to thank you for the opportunity to discuss with you the need and urgency of providing a reasonable and adequate level of funding authorization

for the United States Travel and Tourism Administration [USTTA].

Pursuant to your request, we will also briefly address the marketing plan of the USTTA and related problems confronting the travel and tourism industry.

It is a special pleasure for me and my colleagues to be here today since this is the first time the Policy Council has officially appeared before any governmental unit since its official formation on March 17 of this year.

That was an unprecedented day in the history of the travel and tourism industry. All the major components, including the bus industry, the airlines, restaurants, hotels, and attractions, agreed to join together formally to identify common areas of concern and interest.

More importantly, however, they agreed to work together to foster and promote as positive a government environment as possible for travel and tourism and to take the steps necessary to influence Government activities to the benefit of travel and tourism in order to maximize the contribution of this industry to the economic well-being of our Nation.

The Travel and Tourism Government Affairs Policy Council is now the official organization representing the travel and tourism industry on Government issues.

This organization represents every major segment of the industry. It includes 29 of the largest travel and tourism trade and related travel and tourism organizations and other individual industry executives involved in Government.

The many and diverse travel and tourism interests are now organized in a manner to allow one entity to voice their views, concerns and interests. I know, Mr. Chairman and members of the subcommittee, from your perspective as well as ours, this is a welcomed turn of events and one that each of you has been working toward over the years.

For your interest, support, and encouragement, we thank each of you. A special word of thanks must be extended to you, Representative Florio, as chairman of the subcommittee, and to you, Representative Santini, as chairman of the United States Congressional Travel and Tourism Caucus, for your superlative efforts toward this aim.

The Council pledges to continue to work with each of you toward realizing the obvious advantages and opportunities associated with our new organization.

You can count on our support of your efforts to strengthen the travel and tourism industry and the services rendered the public.

The Council will be managed by an 11-member executive committee which will consist of a chairman, vice chairman, secretary, treasurer, and seven other members.

The officers of the newly formed organization are accompanying me today and make up our panel.

They are William Toohey, vice chairman, also president, Travel Industry Association of America; Norman R. Sherlock, secretary and also president and chief executive officer, American Bus Association; and Al McDermott, treasurer and Washington representative, American Hotel and Motel Association.

Each of the members of the panel will make a brief presentation covering specific areas of interest to the subcommittee.

I will initiate our presentation with a brief overview of the important role travel and tourism plays in our economy, the significance of the National Tourism Policy Act of 1981, and the need for basic funding of the USTTA.

Bill Toohey, our vice chairman, will review the funding history of the USTTA and its predecessor, the United States Travel Service [USTS], the resources other countries are dedicating to attract the foreign traveler and what a competitive environment the international travel marketplace is.

Norm Sherlock, our secretary, will discuss what the States and the private sector are doing to assist in attracting the international traveler to the United States and what the private sector can and cannot be expected to do if we wish to compete effectively in this marketplace.

He will also present the Council estimates as to the level of funding necessary for the USTTA to fulfill its basic purposes under the law.

Finally, Al McDermott, our treasurer, will explain why the travel and tourism private sector cannot properly promote the United States as an international travel destination on its own and will address a couple of related issues of concern to the Council.

We will then be pleased to discuss any details of our presentation and attempt to answer any questions you may have.

Realizing that you already have volumes of statistics on record as to the economic importance of the travel and tourism industry to the private economy and the budgets of the Federal, State, and local governments, I will address only highlights that will emphasize the important role travel and tourism plays.

The contributions travel- and tourism-related businesses make to the national economy are significant: $160 billion in retail and business receipts; $15.6 billion in Federal, State, and local tax receipts, and more importantly, the 7 million American jobs that it provides.

It has traditionally been a leader in the creation of new jobs. In 1980, this industry created 35 percent of all the new jobs in the United States. In 1981, in spite of increased unemployment generally, tourism employment growth stood at 16 percent of all new jobs.

Those hardest hit by unemployment—women, youth, and minorities—make up a dramatically disproportionate percentage of travel and tourism jobs.

Based on the most recent statistics available, women constitute more than one-half of the travel industry work force, blacks constitute close to 14 percent, and approximately 33 percent of all youths aged 16 to 21 in the work force are employed by the travel and tourism industry.

At a time when our country is confronted with a very serious unemployment situation, travel- and tourism-related jobs take on an even greater importance.

In October 1981, President Reagan signed into law the National Tourism Policy Act of 1981. One intention of the Act, among others, is to:

Optimize the contribution of the tourism and recreation industries to economic prosperity, full employment, and the international balance of payments to the United States.

The United States Travel and Tourism Administration is charged with implementing this mandate of the act.

This mandate is critical to the future economic well-being of not only the travel and tourism sector of the economy, but the entire Nation, as the above statistics well evidence.

There is no question in the mind of any travel and tourism expert that this mandate cannot be fulfilled by the USTTA at the administration's requested amount of $5 million for fiscal year 1983.

After the industry and the Congress worked so hard, over so many years, to enact a meaningful National Tourism Policy Act, the request for only $5 million reflects not only a lack of understanding by the administration, specifically OMB, of the potential benefits of this program, but also, disappointingly, a disregard for the legislative requirements established by the Congress.

This figure will not provide sufficient funds to insure the fledgling USTTA is even given a chance of success and flies in the face of the intent and purpose of the legislation.

In essence, the requested amount emasculates the new entity. The travel and tourism industry wishes to work cooperatively to insure optimum marketing of the United States as a destination for the foreign traveler, not in its own self-interest but in the interest of improving our Nation's economic well-being with specific regard toward unemployment and balance of payments questions, but cannot do it effectively without a solid USTTA base and a general U.S. promotional program.

I would like to turn it over to Bill Toohey now.

STATEMENT OF WILLIAM D. TOOHEY

Mr. TOOEY. Thank you.

Mr. Chairman, I am William D. Toohey, vice chairman of the newly established Travel and Tourism Government Affairs Policy Council and president of the Travel Industry Association of America, of which the Council is affiliated.

It is indeed a pleasure and an honor to participate on the Council's panel presentation before your subcommittee.

As Mr. Ashman noted, the $5 million requested for fiscal year 1983 for the USTTA is totally inadequate for the task it is charged to accomplish.

This fact can best be appreciated when our effort is compared to similar efforts by other nation states.

Nations throughout the world compete in the international marketplace with other nations for scarce materials which insure their security or economic survival.

As a layman economist, it is easy to point to examples of this when we observe shortages of goods and materials in the form of oil, rare minerals, or food products.

The United States, in fact, pursues these commodities aggressively in this marketplace. They are important to our well-being and our Federal Government also recognizes the importance of promoting the sale of U.S. agricultural commodities and nonagricultural

commodities overseas by providing appropriations for these promotional efforts in 1981 of over $128 million.

With this in mind, it is difficult to understand why we cannot recognize that tourism in our country has the potential of being one of our strongest economic resources and why we fail to place proper emphasis in its promotion.

Why we continue to ignore this potential is likewise difficult to understand. Our situation can be compared to one of the Middle East countries rich in oil, with a major balance-of-trade deficit and high unemployment, not developing its oil fields and selling its oil to other countries.

We are like the soldier marching in the parade who claims he is not out of step—everyone else is. It should be clear that every major free-world industrial country has recognized the potential of inbound tourism promotion.

In fact, they have recognized it to such an extent that they outspend the United States dramatically in this area. It is embarrassing that the United States ranks 25th in national government spending on tourism promotion. Are we out of step or is it the rest of the world?

The six USTTA foreign offices hardly constitute an excessive, or even concerted, effort. The United Kingdom, for example, maintains 22 tourism promotion offices in 21 countries around the world, Mexico has 29 offices in 14 countries, and New Zealand has offices in six countries.

The American travel industry has more "vacation products" to offer the tourist than the rest of the world combined, yet our Government's commitment to tourism is not greater than New Zealand's and, in terms of actual funding, it is less.

The concept of promoting the general image of an area is recognized and successfully implemented on the State level. The States have used it effectively in attracting domestic travelers for many years.

It works for the States for precisely the same reasons that it works for foreign governments in the international marketplace. State-level tourism promotion attracts tourists, while individual businesses compete for each traveler's patronage.

We must understand and recognize that countries compete against countries, States against States, airlines against airlines, hotels against hotels, and attractions against attractions.

Successful promotion of international tourism to any country depends upon its marketing as a travel destination.

This is a need that can only be met by the Federal Government, and to ignore this role is to waste a resource that has proven potential for yielding enormous benefit to the Nation as a whole.

With all these facts in mind, when one reviews the record of Federal funding for this very apparent and necessary purpose which, in the past, has returned $18 of revenue for every Federal dollar spent, one easily realizes that we are the ones that are out of step.

Think of this—the U.S. Travel Service preceded USTTA, and was funded at $13.5 million in 1979. This was augmented. According to the Economic Development Administration, EDA spent $5.3 million for domestic and international tourism promotion programs.

The latter programs have since been completely eliminated from the Department of Commerce budget and USTTA 1983 funding proposed by the administration is an inadequate $5 million.

This is a 73-percent reduction for Commerce Department tourism programs when comparing fiscal year 1979 with fiscal year 1983.

Apart from that, additional cuts have been carried out in the other programs which will be discussed in a moment.

The original authorization for the USTTA, established by the National Tourism Policy Act, was $8.6 million. This was recognized by Congress at the time to be the absolute minimum necessary to even begin to fulfill the mandate of the National Tourism Policy Act.

Expressed in 1983 dollars, this figure would now approach $10 million. A $5 million funding level for USTTA could cripple the newly created agency and allow our share of the international traveler marketplace to continue to decrease.

U.S. international tourism receipts measured in terms of constant dollars grew by only 4.9 percent in 1981, down from a high of 14.7 percent in 1976.

Even more alarming is the fact that the U.S. share of world tourism receipts has actually declined—from 13 percent in 1976 to 10.9 percent in 1981.

It should be apparent that the other countries' mere aggressive promotional efforts are having a serious negative impact on our ability to garner our fair share of the international traveler marketplace.

It is time the Federal Government recognized this fact and provided adequate funding for an aggressive tourism promotional program.

STATEMENT OF NORMAN R. SHERLOCK

Mr. SHERLOCK. Thank you, Mr. Toohey.

Mr. Chairman, and members of the subcommittee, my name is Norman R. Sherlock. I am the secretary of the Travel and Tourism Government Affairs Policy Council and president and chief executive officer of the American Bus Association.

Sometimes, when the statistics Bill Toohey provided are presented, the argument or allegation is made that the reason for our failures in the international marketplace is that the private sector and State and regional governments are not carrying their fair share of the promotional burden and have not cooperated or assisted the Federal Government with this task.

That isn't the case.

In fact, the travel and tourism industry has made concerted and continued efforts to assist the Federal Government in this arena.

A good example of the tourism industry's efforts is that over 5,000 free familiarization trips were operated in 1982.

These trips provided the opportunity for foreign visitors involved in selling travel to the United States to become acquainted on a first-hand basis with our many fine facilities and attractions.

There were thousands of additional travel agent and tour operator free trips for training and other missions which have also stimulated travel to and within the United States.

The USTTA also receives free transportation from the airlines to and from the United States.

The hotels and motels provide reduced rates or free hotel space for foreign and U.S. travel dignitaries.

Sightseeing trips are provided by bus, train, or local city modes at no expense for promotional efforts. Meals are also provided free or at reduced costs.

The list goes on and on—in any case, millions of dollars are expended by the industry in supplementing and complementing USTTA's efforts.

USTTA could not possibly, given its existing or proposed budget, pay for any of these activities. Other countries, however, provide free tour offers to the United States and other foreign traffic producers daily at no expense to their private sector businesses. In this country if the U.S. travel industry did not provide the means to get the agents to visit the United States and to explore new marketing potentials, our record of attracting foreign visitors to the United States would be even more dismal than it is today.

There is no completely accurate record of how much money is spent by private corporations abroad, but it has been estimated to be far in excess of $50 million in 1981. The State governments also contribute heavily toward overseas promotional efforts. For example, State budgeted figures for fiscal year 1982 for overseas advertising, promotions, and public relations total over $3.5 million. As Bill Toohey pointed out, however, these expenditures are principally aimed at attracting those individuals who have already decided to visit the United States, to use a specific airline, to stay at a specific hotel, or visit a specific attraction or State. Someone must paint the big picture, stimulate a general interest, and motivate the foreign national to visit the United States in the first place. In order to reap all the benefits from the private and State promotional efforts, this must occur. This is the Federal Government's role. This is how other countries handle this task. It has been proven to work for them—why can it not work for us?

Do not misinterpret this statement—we are not discouraging elements of the industry from contributing toward the USTTA's efforts. In fact, the American Bus Association has done so just recently in a Scandinavian promotional effort, and we intend to continue to do so in the future. These private actions, however, cannot carry the Federal program and cannot be relied upon as ongoing investments. They will be made when they are in the best interest of the segment or element of the industry making the donation, and will be done within a competitive framework. There is still a critical need for a properly funded, general effort, funded by the Federal Government. This program cannot be implemented at the $5 million figure proposed. Without this Federal base effort, all of the other private and public promotional efforts' effectiveness or impact will be dramatically decreased, and we will continue to lose ground to other, more competitive countries.

It must be kept in mind in analyzing the funding level for the USTTA that, for reasons directly attributable to the National Tourism Policy Act itself, USTTA Washington operations will be virtually eliminated if the President's budget request is approved. A provision in the act prohibits the Secretary of Commerce from re-

ducing USTTA foreign offices' funding below the level appropriated for fiscal year 1980. Since the foreign offices required an outlay of $6.4 million in 1980, the proposed $5 million will be inadequate even to continue their operation at the level mandated.

With all of the facts presented here today, the Travel and Tourism Government Affairs Policy Council, at its March 17, 1982 meeting, unanimously voted to recommend a $10.5 million authorization for the USTTA. If this figure were authorized and a similar appropriation made, the USTTA would not have to eliminate many services which it now provides or would like to provide. These services are listed in the written statement to the committee.

The council feels that the funding figure of $10.5 million is a reasonable one in light of the historic evolution of the Federal Government's funding of this program and inflation. For if Congress were to fund USTTA at the $13.5 million level appropriated for USTS in 1979 and convert it into 1982 dollars, the figure would total $18.1 million. Even applying the President's across-the-board 20-percent reduction, USTTA would then be funded at $14.5 million. This is still far in excess of the council's $10.5 million request. Although considerable more funds are needed to do the job right, the $10.5 million we are requesting today should allow for at least a moderate base to keep essential programs and the Agency alive and we urge that you take affirmative action to do so.

STATEMENT OF AL McDERMOTT

Mr. McDERMOTT. I am Al McDermott, treasurer of the Travel and Tourism Government Affairs Policy Council and Washington representative for the American Hotel and Motel Association. It is a distinct privilege to appear on the council panel today.

As the last panelist to make a presentation, I feel comfortable in saying that the facts have been presented and I trust our case has been made. We hope that the subcommittee verdict is an affirmative one leading to an increased authorization level of $10.5 million.

Mr. Chairman, before completing our presentation, we would like to make one additional important point. The travel and tourism industry, although it generates some stunningly impressive economic figures and makes a substantial impact on the economy of this Nation, is not well understood. Most industries which approach the size of the travel and tourism industry consist of several large-sized corporations. This is not the case with travel and tourism.

In fact, 99 percent of this industry is comprised of small businesses, as defined by the Small Business Administration. The remaining 1 percent is heavily represented by large airlines, hotels, and restaurant chains. The point I am stressing is that 99 percent of the industry is small businessmen who, for the most part, are not equipped to market their own commodities and services abroad, much less the general USA promotion program around the world. How can we, in good faith and conscience, legitimately expect the remaining 1 percent large businesses to carry this burden effectively?

These large travel and tourism businesses are already prudently promoting or marketing their particular products or services. For

the most part, however, their message is aimed toward foreign travelers who have already made the decision to visit the United States. Unfortunately, their efforts have not been very productive. Something is missing—and the council believes it is a competitive, aggressive, and effective general overseas promotional effort. Only the Federal Government is equipped to fund and implement such a program.

Before closing, Mr. Chairman, we would like to bring to your attention a very closely related subject, that is, the elimination of three very important Federal Government research efforts which are not only helpful to the Federal Government in developing its transportation and marketing programs but also are crucial to State and private efforts as well.

The National Travel Survey [NTS], published every 5 years by the Census Bureau, was eliminated from the fiscal year 1983 administration budget proposal. The NTS was the only official source of comprehensive tourism statistics. Of the $2.4 million required to publish the survey, $1 million was contributed by the Department of Transportation and $1.4 million was supplied by the Department of Commerce itself. Further, the Monthly Selected Services Report, which required approximately $1 million to produce, has also been eliminated.

Also eliminated was the Census of Service Industries in Retail Trade. Its publication coincided with the National Travel Survey, and production costs were $2.1 million. These cutbacks in both the Departments of Commerce and Transportation, aside from USTTA and Regional Economic Development Commission tourism funding reductions, total $5.5 million. These cuts will in essence destroy the Federal Government's tourism data base, and increased funding to restore it will be required if publication of these reports is ever to be resumed. Your assistance is insuring these research efforts will be continued is extremely important to further marketing efforts.

In his recent testimony before the Appropriations Subcommittee on Commerce, Justice, State, and the Judiciary, Secretary of Commerce Baldrige stated that his major priority for the Department is to "increase America's competitiveness in the world economy." "We've got to improve our exporting capabilities, and exporting is a cornerstone of the President's economic recovery program," said Baldrige.

We could not agree more with the Secretary. With an adequately funded USTTA promotion program, tourism to and within the United States will significantly enhance efforts to reduce Federal budget deficits and improve our international balance of payments position. Conversely, we urge you to consider seriously the negative economic implications of further funding reductions for the USTTA.

We understand and appreciate Congress efforts to achieve budgetary restraint. Nonetheless, we strongly believe that an examination of the evidence will yield the conclusion that at least a fair trial for the infant USTTA is imperative and economically justified.

Imperative because USTTA, if it is funded at a meaningful level, would perform a function that cannot be performed by the private sector no matter what the sum expended.

The council looks forward to working with the subcommittee in insuring that the untapped economic potential of the foreign visitor marketplace is realized. We now stand ready to attempt to answer any questions you may have.

[The prepared statement from the Travel and Tourism Government Affairs Policy Council follows:]

Prepared Statement From the Travel and Tourism Government Affairs Policy Council

Mr. Chairman and Members of the Subcommittee:

I am Richard Ashman, Vice President of Government and Industry Relations, Holiday Inns, Inc. As Chairman of the Travel and Tourism Government Affairs Policy Council, I wish to thank you for the opportunity to discuss with you the need and urgency of providing a reasonable and adequate level of funding authorization for the United States Travel and Tourism Administration (USTTA). Persuant to your request, we will also briefly address the marketing plan of the USTTA and related problems confronting the travel and tourism industry.

It is a special pleasure for my colleagues and me to be here today since this is the first time the Policy Council has officially appeared before any governmental unit since its official formation on March 17, 1982. That was an unprecedented day in the history of the travel and tourism industry. All the major components, including the bus industry, the airlines, restaurants, hotels, and attractions, agreed to join together formally to identify common areas of concern and interest. More importantly, however, they agreed to work together to foster and promote as positive a government environment as possible for travel and tourism and to take the necessary steps to influence government activities to the benefit of the travel and tourism community in order to maximize the contribution of this industry to the economic well-being of our nation.

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The Travel and Tourism Government Affairs Policy Council is now the official organization representing the travel and tourism industry on government issues. This organization represents every major segment of the industry. It includes 29 of the largest travel and tourism trade and related travel and tourism organizations and other individual industry executives involved in the activities of our government. (See attached list of members, Addendum I.)

The many and diverse travel and tourism interests are now organized in a manner to allow one entity to voice their views, concerns, and interests. I know, Mr. Chairman and Members of the Subcommittee, that from your perspective as well as ours, this is a welcomed turn of events and one that each of you has been working towards over the years. For your interest, support, and encouragement, we thank each of you. A special word of thanks must be extended to you, Representative Florio, as Chairman of the Subcommittee, and to Representative Santini, as Chairman of the U. S. Congressional Travel and Tourism Caucus, for your superlative efforts towards this aim.

The Council pledges to continue to work with each of you towards realizing the obvious advantages and opportunities associated with our new organization. You can count on our support of your efforts to strengthen the travel and tourism industry and the service it renders the public and our nation.

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The Council will be managed by an eleven-member Executive Committee which will consist of a Chairman, Vice Chairman, Secretary, Treasurer, and seven other members. The officers of the newly formed organization are here with me today and make up our panel. They are William Toohey, Vice Chairman (President, Travel Industry Association of America); Norman R. Sherlock, Secretary (President and Chief Executive Officer, American Bus Association); and Al McDermott, Treasurer (Washington Representative, American Hotel and Motel Association).

Each of the members of the panel will make a brief presentation covering specific areas of interest to the subcommittee. I will initiate our presentation with a brief overview of the important role travel and tourism plays in our economy, the significance of the National Tourism Policy Act of 1981, and the need for basic funding of USTTA. Bill Toohey, our Vice Chairman, will review the funding history of the USTTA and its predecessor, the United States Travel Service (USTS), the resources other countries are dedicating to attract the foreign traveler and what a competitive environment the international travel marketplace is. Norm Sherlock, our Secretary, will discuss what the states and the private sector are doing to assist in attracting the international traveler to the United States and what the private sector can and cannot be expected to do if we wish to compete effectively in this marketplace. He will also present the Council estimates as to the level of funding necessary for the USTTA to fulfill its basic purposes under the law. Al McDermott, our Treasurer, will explain why the travel

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and tourism private sector cannot properly promote the United States as an international travel destination on its own and will address a couple of related issues of concern to the Council.

We will then be pleased to discuss any details of our presentation and attempt to answer any questions you may have.

Realizing that you already have volumes of statistics on record as to the economic importance of the travel and tourism industry to the private economy and the budgets of the federal, state, and local governments, I will addresss only highlights that will emphasize the important role travel and tourism plays.

The contributions travel and tourism related business make to the national economy are significant:

a. $160.8 billion in retail and business receipts
b. 7 million American jobs
c. $ 15.6 billion in federal, state, and local tax receipts.

It has traditionally been a leader in the creation of new jobs. In 1980, this industry alone, with only 5% of the nation's employment, created 35% of all the new jobs in the United States. In 1981, in spite of increased unemployment generally, tourism employment growth stood at 16% of all new jobs.

Those hardest hit by unemployment -- women, youth, and minorities -- make up a dramatically disproportionate percentage

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of travel and tourism jobs. Based on the most recent statistics available, women constitute more than one half of the travel industry workforce, blacks constitute close to 14%, and approximately 33% of all youths aged 16 to 21 in the workforce are employed by the travel and tourism industry. At a time when our country is confronted with a very serious unemployment situation, travel and tourism related jobs take on an even greater significance.

In October 1981, President Reagan signed into law the National Tourism Policy Act of 1981. One intention of the Act, among others, is to "optimize the contribution of the tourism and recreation industries to economic prosperity, full employment, and the international balance of payments to the United States." The United States Travel and Tourism Administration is charged with implementing this mandate of the Act.

This mandate is critical to the future economic well-being of not only the travel and tourism sector of the economy, but the entire nation, as the above statistics well evidence. There is no question in the mind of any travel and tourism expert that this mandate cannot be fulfilled by the USTTA at the Administration's requested amount of $5 million for Fiscal 1983.

After the industry and the Congress worked so hard, over so many years, to enact a meaningful National Tourism Policy Act, the request for only $5 million reflects not only a lack of understanding by the Administration, especially by the Office of Management and Budget, of the potential benefits of this program, but also disappointingly a disregard of the legislative requirements established by Congress. This figure

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will not provide sufficient funds to ensure the fledgling USTTA is even given a chance of success and flies in the face of the intent and purpose of the legislation. In essence, the requested amount emasculates the new entity. The travel and tourism industry wishes to work cooperatively to ensure optimum marketing of the United States as a destination for the foreign traveler, not in its own self interest but in the interest of improving our nation's economic well-being with specific regard to unemployment and balance of payments. However, it cannot do this effectively without a solid USTTA base and an umbrella United States marketing program.

Mr. Chairman, I am Bill Toohey, Vice Chairman of the newly established Travel and Tourism Government Affairs Policy Council and President of the Travel Industry Association of America, of which the Council is affiliated. It is indeed a pleasure and an honor to participate on the Council's panel presentation before your Subcommittee.

As Dick Ashman noted, the $5 million requested for F.Y. 1983 for the USTTA is totally inadequate for the task it is charged to accomplish. This fact can best be appreciated when our effort is compared to similar efforts by other nation states.

Nations throughout the world compete in the international marketplace with other nations for scarce materials which ensure their security or economic survival. As a layman economist, it is easy to point to examples of this when we observe shortages of goods and materials in the form of oil, rare minerals, or food

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products. The United States, in fact, pursues these commodities aggressively in this marketplace. Just as these commodities are important to our well-being, our federal government also recognizes the importance of promoting the sale of U. S. agricultural commodities and nonagricultural commodities overseas by providing appropriations for these promotional efforts in 1981 of over $128 million.

With all this in mind, it is hard to understand why we cannot recognize that tourism in our country has the potential of being one of our strongest natural resources and why we fail to place proper emphasis in its promotion. Why we continue to ignore this potential is difficult to understand. Our situation can be compared to one of the Middle East countries rich in oil, with a major balance of trade deficit and high unemployment, not developing its oil fields and selling its oil to other counties.

We are like the soldier marching in the parade who claims he is not out of step ... everyone else is. By reviewing the chart below, it should be clear that every major free world industrial country has recognized the potential of tourism promotion. In fact, they have recognized it to such an extent that they outspend the United States dramatically in this area. It is embarassing but true that the United States ranks 25th in national government spending on tourism promotion. Are we out of step or is it the rest of the world?

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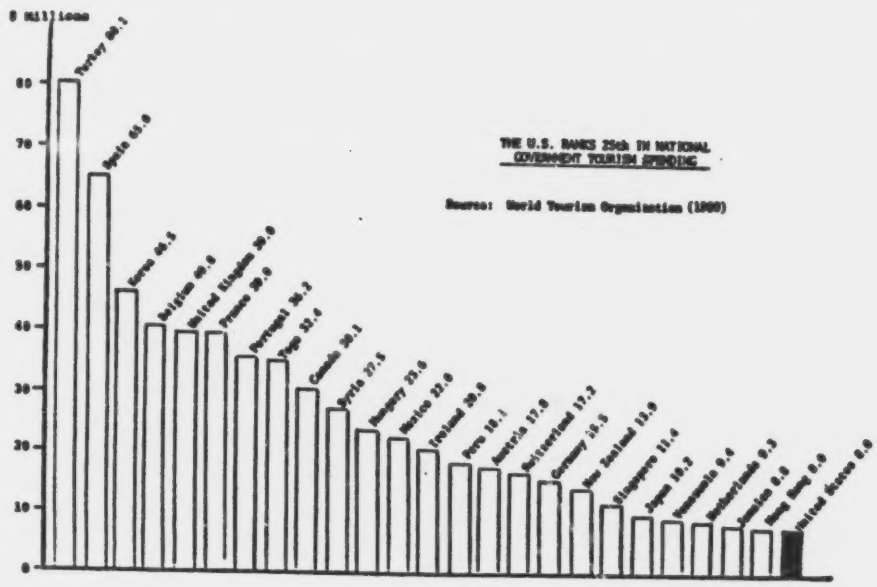

A recent study revealed that each of the six USTTA foreign offices handle an average of 17,000 inquiries per month. Clearly these offices are being used for their intended purpose despite the fact that access to them has been necessarily limited due to previous budgetary cutbacks.

The six USTTA foreign offices hardly constitute an excessive, or even concerted, effort. The United Kingdom, for example, maintains 22 tourism promotion offices in 21 countries around the

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world, Mexico has 29 offices in 14 countries, and New Zealand has offices in six countries, as does the United States. The American travel industry has more "vacation products" to offer the tourist than the rest of the world combined, yet our government's commitment to tourism is not greater than New Zealand's and, in terms of actual funding, it is less.

Ironically, the concept of promoting the general image of an area is recognized and successfully implemented on the state level. The states have used it effectively in attracting domestic travelers for years. It works for the states for precisely the same reasons that it works for foreign governments in the international marketplace. State level tourism promotion attracts tourists, while individual businesses compete for each traveler's patronage.

We must understand and recognize that countries compete against countries, states against states, airlines against airlines, hotels against hotels, and attractions against attractions. Successful promotion of international tourism to any country depends upon its marketing as a travel destination. This is a need that can only be met by the federal government, and to ignore this role is to waste a resource that has proven potential for yielding enormous benefits to the nation as a whole.

With all these facts in mind, when one reviews the record of federal funding for this very apparent and necessary purpose

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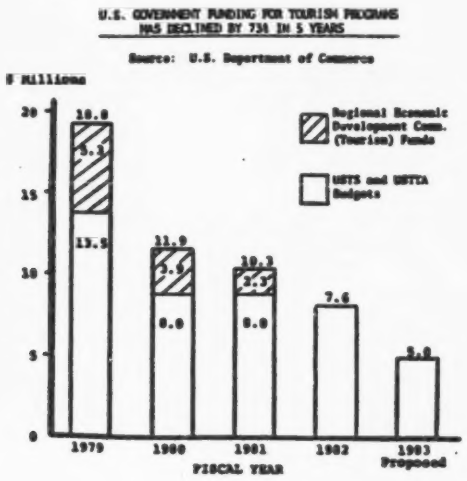
which in the past has returned $19 of revenue for every federal dollar spect, one easily realizes that we are the ones that are out of step.

Just think of it: The United States Travel Service preceded USTTA and was funded at $13.5 million in 1979. This was augmented, according to the Economic Development Administration, by $5.3 million for Regional Economic Development Commission domestic and international tourism programs. The latter programs have since been completely eliminated from the Department of Commerce budget and USTTA 1983 funding proposed by the Administration is an inadequate $5 million. (See Chart below.) This is a 73% reduction for Commerce Department tourism programs when comparing Fiscal 1979 with Fiscal 1983.



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The original authorization for the USTTA, established by the National Tourism Policy Act, was $8.6 million. This was recognized by Congress at the time to be the absolute minimum necessary to even begin to fulfill the mandate of the National Tourism Policy Act. Expressed in 1983 dollars, this figure would now approach $10 million. In short, a $5 million funding level for USTTA could cripple the newly-created agency and allow our share of the international traveler marketplace to continue to decrease.

United States international tourism receipts measured in terms of constant dollars grew by only 4.9% in 1981, down from a high of 14.7% in 1976. Even more alarming is the fact that the U. S. share of world tourism receipts has actually declined -- from 13% in 1976 to 10.9% in 1981. (See Chart below.)

It should be apparent that the other countries' mere aggressive promotional efforts are having a serious negative impact on our ability to garner our fair share of the international traveler

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marketplace. It is time the federal government recognized this fact and provided adequate funding for an aggressive tourism promotional program.

Mr. Chairman and Members of the Subcommittee, my name is Norman R. Sherlock. I am the Secretary of the Travel and Tourism Government Affairs Policy Council and President and Chief Executive Officer of the American Bus Association.

Quite often, when the statistics Bill Toohey provided are presented, the argument or allegation is made that the reason for our failures in the international marketplace is that the private sector and state and regional governments are not carrying their fair share of the promotional burden and have not cooperated or assisted the federal government with this task. This is at best a fallacious argument.

In fact, the travel and tourism industry has made concerted and continued efforts to assist the federal government in this arena. A good example of the tourism industry's efforts is that over 5,000 free familiarization trips were operated in 1981. These trips provided the opportunity for foreign visitors involved in selling travel to the United States to become acquainted on a first-hand basis with our many fine facilities and attractions. There were thousands of additional travel agent and tour operator free trips for training and other missions which have also stimulated travel to and within the United States. The USTTA also receives

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free transportation from the airlines to and from the United States. All of these activities have a market value of many millions of dollars. Further, the hotels and motels provide reduced rates or free hotel space for foreign and United States travel dignitaries. Sightseeing trips are provided by bus, train, or local city modes at no expense for promotional efforts. Meals are also provided free or at reduced costs. The list goes on and on -- in any case, millions of dollars are expended by the industry in supplementing and complementing USTTA's efforts.

USTTA could not possibly, given its existing or proposed budget, pay for any of these activities. Other countries, however, provide free tour offers to U. S. and other foreign traffic producers daily at no expense to their private sector businesses. If the U. S. travel industry did not provide the means to get the sellers to visit the United States and to explore new marketing potentials, our record of attracting foreign visitors to the United States would be even more dismal than it is today.

There is no completely accurate record of how much money is spent by private corporations abroad, but it was estimated to be far in excess of $50 million in 1981. The state governments also contribute heavily towards overseas promotional efforts. For example, state budgeted figures for F.Y. 1982 for overseas advertising, promotions, and public relations total over $3.5 million. As Bill Toohey pointed out, however, these expenditures

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are principally aimed at attracting those individuals who have already decided to visit the United States, to use a specific airline, to stay at a specific hotel, or visit a specific attraction or state. Someone must paint the big picture, stimulate a general interest, and motivate the foreign national to visit the United States in the first place. In order to reap all the benefits from the private and state promotional efforts, this must occur. This is the federal government's role. This is how other countries handle this task. It has been proven to work for them -- why can't it work for us.

Don't misinterpret this statement -- we are not discouraging elements of the industry from contributing towards the USTTA's efforts. In fact, the American Bus Association has done so just recently in a Scandanavian promotional effort, and we intend to continue to do so in the future. These private actions, however, cannot carry the federal program and cannot be relied upon as ongoing investments. They will be made when they are in the best interest of the segment or element of the industry making the donation and will be done within a competitive framework. There is still a critical need for a properly funded, general effort, funded by the federal government. This program cannot be implemented at the $5 million figure proposed. Without this federal base effort, all of the other private and public promotional efforts' effectiveness or impact will be dramatically decreased, and we will continue to lose ground to other, more competitive, countries.

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It must be kept in mind in analyzing the funding level for the USTTA that, for reasons directly attributable to the National Tourism Policy Act itself, USTTA Washington operations will be virtually eliminated if the President's budget request is approved. A provision in the Act prohibits the Secretary of Commerce from reducing USTTA foreign offices' funding below the level appropriated for F.Y. 1980. Since the foreign offices required an outlay of $6.4 million in 1980, the proposed $5 million will be inadequate even to continue their operation at the level mandated.

With all of the facts presented here today, the Travel and Tourism Government Affairs Policy Council, at its March 17, 1982, meeting, unanimously voted to recommend a $10.5 million authorization for the USTTA. If this figure were authorized and a similar appropriation made, the USTTA would not have to eliminate many services previously provided. These programs and their related expenses follow:

1.	Brochures and Displays	$900,000
2.	Media Services	$600,000
3.	Mail House Services	$650,000
4.	Trade Developments	$ 60,000
5.	Journalist Fam Tours	$100,000
6.	International Consumer Travel Information	$840,000
7.	Research Program (In-Flight Survey)	$360,000
8.	Multilingual Port Receptionist Services	$250,000
	SUBTOTAL	$3,760,000

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9.	Staff Size Increases (5 staff positions and 7 regional representatives)	$985,000
9.	Regional Office Marketing Support	$715,000
	TOTAL	$5,460,000

Although we have not had the opportunity to review all of the above items in detail, we understand that they are detailed in the USTTA marketing plan and believe that if the USTTA is to fulfill its marketing objectives and generate the statistics necessary to do the job, these additional funds are imperative.

The Council feels that the funding figure of $10.5 million is a reasonable one in light of the historic evolution of the federal government's funding of this program. For if Congress were to fund USTTA at the $13.5 million level appropriated for USTS in 1979 and convert it into 1982 dollars, the figure would total $18.1 million. Even applying the President's across-the-board 20% reduction, USTTA would then be funded at $14.5 million. This is still far in excess of the Council's $10.5 million request. Although considerable more funds are needed to do the job in an effective way, this amount should allow a reasonable base program to be initiated and provide the opportunity to meaningfully evaluate the National Tourism Policy Act of 1981.

Mr. Chairman and Members of the Subcommittee, I am Al McDermott, Treasurer of the Travel and Tourism Government Affairs Policy Council and Washington Representative for the American Hotel

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and Motel Association. It is a distinct privilege to appear on the Council panel today. As the last panelist to make a presentation, I feel comfortable in saying that the facts have been presented, and I trust that our case has been made. We hope that the Subcommittee verdict is an affirmative one leading to an increased authorization level of $10.5 million.

Mr. Chairman, before completing our presentation, we would like to make one additional important point. The Travel and Tourism industry, although it generates some stunningly impressive economic figures and makes a substantial impact on the economy of this nation, is not well understood. Most industries which approach the size of the travel and tourism industry, consist of several large sized corporations. This is not the case with travel and tourism.

In fact, 99 percent of this industry is comprised of small businesses, as defined by the Small Business Administration. The remaining 1% is heavily represented by large airlines, hotels, and restaurant chains. The point I am stressing is that 99% of the industry is made up of small business people who, for the most part, are not equipped to market their own commodities and services abroad, much less the general USA promotion around the world. How can we, in good faith and conscience, legitimately expect the remaining 1% large businesses to carry this burden effectively?

These large travel and tourism businesses are already prudently

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promoting or marketing their particular products or services. For the most part, however, their message is aimed toward foreign travelers who have already made the decision to visit the United States. Unfortunately, their efforts have not been very productive. Something is missing -- and the Council believes it is a competitive, aggressive, and effective general overseas promotional effort. Only the federal government is equipped to fund and implement such a program.

Before closing, Mr. Chairman, we would like to bring to your attention a very closely related subject, that is, the elimination of three very important federal government research efforts which are not only helpful to the federal government in developing its transportation and marketing programs but also are crucial to state and private efforts as well.

The National Travel Survey (NTS), published every five years by the Census Bureau, was eliminated from the F. Y. 1983 Administration budget proposal. The NTS was the only official source of comprehensive tourism statistics. Of the $2.4 million required to publish the survey, $1 million was contributed by the Department of Transportation and $1.4 million was supplied by the Department of Commerce itself. Further, the Monthly Selected Services Report, which rquired approximately $1 million to produce, has also been eliminated.

Also eliminated was the Census of Service Industries in Retail Trade. Its publication coincided with the National Travel Survey,

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and production costs were $2.1 million. These cutbacks in both the Departments of Commerce and Transportation, aside from USTTA and Regional Economic Development Commission tourism funding reductions, total $5.5 million. These cuts will in essence destroy the federal government's tourism data base, and increased funding to restore it will be required if publication of these reports is ever to be resumed. Your assistance in ensuring these research efforts will be continued is extremely important to further marketing efforts.

In his recent testimony before the Appropriations Subcommittee on Commerce, Justice, State, and the Judiciary, Secretary of Commerce Baldridge stated that his major priority for the Department is to "increase America's competitiveness in the world economy." "We've got to improve our exporting capabilities, and exporting is a cornerstone of the President's economic recovery program" said Baldridge.

We could not agree more with the Secretary. With an adequately funded USTTA promotion program, "tourism" to and within the United States will significantly enhance efforts to reduce federal budget deficits and improve our international balance of payments position. Conversely, we urge you to consider seriously the negative economic implications of further funding reductions for the USTTA.

We understand and appreciate Congress' efforts to achieve budgetary restraint. Nonetheless, we strongly believe that an examination of the evidence will yield the conclusion that at least a fair trial for the infant USTTA is imperative and economically justified.

Imperative because USTTA, if it is funded at a meaningful level, would perform a function that cannot be performed by the private sector no matter what the sum expended.

The Council looks forward to working with the Subcommittee in ensuring that the untapped economic potential of the foreign visitor marketplace is realized. We now stand ready to attempt to answer any questions you may have.

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ADDENDUM I

ORGANIZATIONS AND INDIVIDUAL MEMBERS

1. Air Transport Association of America
2. American Automobile Association
3. American Bus Association
4. American Car Rental Association
5. American Hotel and Motel Association
6. American Recreation Coalition
7. American Sightseeing International
8. American Ski Federation
9. American Society of Travel Agents
10. Association of Retail Travel Agents
11. Conference of National Park Concessioners
12. Gray Line Sight-Seeing Association, Inc.
13. Highway Users Federation
14. Hotel Sales Management Assocation International
15. International Association of Amusement Parks and Attractions
16. International Association of Convention & Visitors Bureaus
17. National Air Carrier Association, Inc.
18. National Campground Owners Association
19. National Caves Association
20. National Council of Area and Regional Travel Organizations
21. National Council of State Travel Directors
22. National Council of Travel Attractions
23. National Restaurant Association
24. National Ski Areas Association
25. National Tour Brokers Association
26. Recreation Vehicle Industry Association
27. Travel Industry Association of America
28. United States Travel Data Center
29. United States Tour Operators Association
30. Mr. Richard T. Ashman
    Vice President, Government and Industry Relations
    Holiday Inns, Inc.
    3796 Lamar Avenue
    Memphis, TN 38118
31. Mr. Charles Gillett
    President
    New York Convention & Visitors Bureau
    Two Columbus Circule
    New York, New York 10019
32. Mr. Bob Juliano
    Legislative Representative
    Hotel & Restaurant Employees and Bartenders Union
    1875 I Street, N. W. Suite 450
    Washington, D. C. 20006

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Mr. FLORIO. Thank you very much.

Mr. Lent.

Mr. LENT. Thank you, Mr. Chairman.

I assume, Mr. Ashman, your panel has had an opportunity to think of the tourism marketing plan. I do not know that for a fact. Can you tell us what your opinion is on it, and do you have any suggestions for improving it?

Mr. ASHMAN. We only received the plan late yesterday afternoon, and I do not believe the members have had a chance to read it.

Mr. LENT. If the USTTA budget is pared back, what programs will suffer the most?

Mr. ASHMAN. I think if we did look at one aspect of the marketing plan or rather the proposal and with the $5 million budget there is no marketing. There is no marketing abroad of the United States as a travel destination.

Mr. LENT. If you look at the return from investment on dollars spent promoting tourism, the figures appear to be very impressive. Why then have so many been so unwilling to spend on the tourism program?

Mr. ASHMAN. Sir, that is a mystery. I noticed in the March 11 edition of the Wall Street Journal that the administration was proposing spending $1.8 billion directed toward improving the unemployment situation with the money to be spent in training the unskilled. This industry has, I believe, the best record of providing jobs for the unskilled, and I think if you did a cost-benefit analysis of the number of people who left the unemployment rolls as a result of the $1.8 billion, and compared that with money spent in promoting the United States as a tourism destination, I think anyone who looked at this with an unprejudiced eye would have a very simple decision to make, because not only does this industry train the unskilled, it provides the jobs. The $1.8 billion that I read in the article only trained the individual. It did not provide him a job.

Mr. LENT. I understand that the Industry Advisory Board has been named, and I wondered if you are satisfied with the makeup of that board.

Mr. ASHMAN. I am very impressed with that board, and I believe one of the questions was asked earlier if that Board would be a token board. It will not be a token board.

Mr. FLORIO. Mr. Santini.

Mr. SANTINI. That was a good interpretation about the members of that board in view of the fact that you are serving on it. Whatever you are able to accomplish as a member of that advisory board collectively, I am really impressed with what you have been able to accomplish in formulating this policy council. Anyone who has been on the tourism travel industry observation scene for any length of time would have said 5 years ago that your entity would have been an impossibility, and today you have forged this policy board, and you are certainly the Kit Carsons and the Daniel Boones in pioneering this effort, and yet the trail you cut may be as important and impressive as whatever contributions we are able to obtain from USTTA in the immediate future. I am very encouraged by this policy council and its establishment.

Mr. Toohey, your observations were extraordinarily well taken. You have endeavored to carry this commonsense message to the halls of Congress—this is probably your 2,678th appearance before Congress or a bureaucratic entity trying to penetrate institutional prejudice that we have to contend with. Those charts are modest compared to the charts provided in your testimony. There is no question the United States is out of step. You make the case very, very well.

I appreciate, Norm, your thoughts about critical need for Government funding effort. There is no question there is a Government funding role in supporting its own entity and supporting improved foreign travel to the United States. The question that remains is can we provide some sort of reliable, tangible source in the future for that funding. A challenge to you as members of the advisory board is to see if you can come up with an industry-acceptable, government-acceptable kind of supplement to that funding, because if you were able to do that you would surmount the prejudice of OMB and maybe cement the foreign travel contribution that we are all reaching for.

I will observe finally that your testimony about the Baldrige comments and administration position about promoting and advancing U.S. commodities in the overseas markets seems to fly in the face of some of the administration's actions in cutting off, reducing the budget of USTTA. It is revealing because it demonstrates again the ignorance and bias with regard to the fact of more than tourists bringing a mark or yen or franc to the United States of America. It is every bit as important as promoting a product, a shoe, a television set, if we have any television left, or computers, if we have any left in the next 10 years, and probably the most viable potential there. Labor on hard and strong.

I do have questions I would like to pursue. Since USTTA is apparently dependent on contributions from the private sector to carry out its duties, under fiscal year 1983 proposal $5 million, exactly how much do you think could be raised in 1983 from private sources?

Mr. ASHMAN. I would like to speak generally to that. I think that the use of that money determines how much you can raise, and I think there is a role that the Federal Government has to play that is not appropriate to be funded from the private sector. And I think it is the macromarketing of the United States to the ultimate consumer, and I have used several times in talking about this that from the business—a business example of the way General Motors works, comparing General Motors' role to that of the Federal Government, General Motors conducts a macromarketing promotion advertising effort against the potential consumer to do basically two things, one to condition that consumer to want to buy a new automobile, and two, to want to buy a General Motors car. It then becomes the job of the dealer to conduct his marketing, his promotion, his advertising efforts sometimes supplemented by GM, sometimes on his own to get that business, and I submit that that is the role here of the private sector and the public sector as regards tourism.

The private sector is already funding its fair share in that 40 percent; in excess of 40 percent of its profits are going into the Fed-

eral coffers. I think the Federal Government and only the Federal Government can fund this overall what I would call a macromarketing effort against the potential consumer for our product, which is the United States. I think they you get into alternative sources of funding, of additional programs in addition to that, and that is my opinion on that, and I certainly would ask that any of the other members give their position, because we are currently, as Norm Sherlock pointed out, jointly funding some programs publicly and private with USTTA.

Mr. McDERMOTT. I think it would be difficult. The Government comes up with $5 million, and I think they are asking $7 million from private sources. While I am not discouraging it, I think it will be difficult to reach. Especially the first year. You need education and communication. For the first year realistically speaking, it will be very difficult.

Mr. TOOHEY. I am amazed that the marketing plan makes the assumption that private funding to help with the day-to-day operations of a national government tourism office is a possibility and without an analysis as to whether a program like that has a chance of succeeding.

Mr. FLORIO. I agree with much of what you say, but I think there is a need for us to think through what the ramifications are of not proposing alternative funding. It may be that nothing will happen. Mr. McCoy said the first thing on the agenda is to discuss that topic. If the administration is committed to not having anything more than $5 million into this authorization, there are lots of ways that one can insure that that be the bottom line figure.

This is the authorization, the appropriations process, the new interpretation of reconciliation. We authorize what we want, but the agencies do not spend the money if they do not want to do it. I think it is important that if we get to that position where there is only going to be $5 million actually spent on the program, is that what we want to happen or do we want to develop some alternative funding.

I noticed a reluctance on the part of Mr. McCoy to make specific suggestions. I assume that was because that specific suggestion would be interpreted as advocating a tax. Alternative funding is a nice term, but I think it is a euphemism for a taxing system, and the administration does not want to advocate a tax, notwithstanding that they are advocating that in saying to perform the responsibilities there has to be alternate funding.

Mr. FLORIO. I asked the advisory board in their initial deliberations to provide some analysis as to what alternative scenarios would be. We are hopeful that we can prevail in providing more authorized funds. We are hopeful that we can prevail in getting the appropriations for the higher level of authorization and we can get the money committed. What happens if we cannot? What happens if the appropriated moneys are not spent? Do we just sit by and see all the years of work that went into this law go up the flue. I do not think we want to do that. I would like to get your expertise as you deliberate as to what different approaches would be depending upon what contingent facts evolve into reality. I would hope that the council and the board as well would provide us, not just the administration and the Department of Commerce, with its wisdom,

but also to provide the committee with its ongoing thoughts as well.

Thank you for yielding.

Mr. SANTINI. Your observations are well taken, particularly in light of the behind-the-scenes exercise by the Office of Management and Budget. I am advised by a very reliable source, because I do not talk to any sources other than reliable sources, that USTTA did advance at least for consideration specific alternative funding measures, and one was the passport fee, and the other was the additional dollar excise, whatever you want to call it, tax to the foreign travel airline ticket. Those were specifically exorcised by OMB from the marketing plan presentation of Mr. McCoy, thereby not only strangling him but emasculating him in lending coherence or particularity to his assertions of alternate funding. This is the kind of economic trench warfare we are engaged in with OMB. Your policy council is going to carry considerable weight with its suggestions in this area because you are the representative voice of the industry, and you know practically as well as politically in terms of your own background what will sell and serve. I share the chairman's endorsement there.

Does anyone else wish to observe further on the practicality of expecting the private sector to come in and supplement that meager pittance of $5 million that was suggested as a rational budget for 1983?

Mr. SHERLOCK. I think it is worth reaffirming what was mentioned, that what any corporation or industry is willing to put forward depends on the purpose. There has to be a well-defined program, areas laid out where funding is going to be made and what those programs are specifically. Second, there no doubt is going to be a focus by the advisory board on this issue. Certainly my mind is open, and I believe every member's mind is open to whatever we can look to in the future. I think it is too soon however, to make commitments until we make plans.

Mr. SANTINI. That is certainly true. Does anyone have any other ideas that appeal to you individually, realizing you cannot represent a policy council view, as to techniques for raising funds for the agency?

Mr. TOOHEY. In terms of user fees and taxes?

Mr. SANTINI. Or whatever.

Mr. TOOHEY. I think the suggestion of user fees is a very dangerous one in terms of the way Mr. McCoy applied it, that destinations or businesses would be charged a fee for the distribution of materials abroad. In view of the fact that the USTTA does not have sufficient funding to produce those materials itself, any type of fee for the distribution of such materials produced by others seems to me would serve as a detriment to using USTTA as an instrument to do that, because the cost would further exacerbate the problem.

The question of departure taxes has been addressed in the past. The serious concern is one of equity. Why should the departing airline passenger assume the burden to fund a government travel promotion program? So within the travel industry itself I think there would be some problem with that particular proposal. As a matter of fact, a year or so ago, the industry testified on the Senate side on this question, and a document was produced that analyzed var-

ious methods of alternative funding in terms of taxes, and I think it might be interesting to resurrect that and insert it in the record of these hearings.

Mr. ASHMAN. I would like to further elaborate on what I said earlier. I think the program itself speaks for how it should be funded. When I say the program, I think we need to look to the intent or the purpose to be accomplished by the program. If the purpose to be accomplished by a marketing program is to promote the United States as a destination, if the purpose to be accomplished by that is to improve our balance of payments and to improve the unemployment of this Nation as a whole, then I do not think it is proper to tax or levy an additional assessment on one segment of this Nation's economy to bear the burden of that program, no more than it would be, in my example of the $1.8 billion that is being proposed, there is no alternative funding being suggested to raise the $1.8 billion from private industry. And I think that speaks for the alternative funding question, is what is the purpose to be accomplished by the program that is to be alternatively funded. If it is in the interest of the private sector, then it is appropriate to be funded. If it is a national issue, I do not think it is appropriate to seek alternative funding from the private sector.

Mr. SANTINI. But we must address the political reality that you have lived through and we have fought together of each and every year coming before the authorization and appropriations committees of the House and Senate contesting the economic adversaries within this administration, past administrations, and future administrations. I do not think it is realistic to project there is going to be any miraculous transformation. They are not going to change their attitude. It places an extra responsibility on us to come up with the funding to try to stabilize the entity itself. Whatever the mechanism is that you all look to or define, future 100 percent expectations that the Federal Government is going to do any better in the future than it has done in the past is a pessimistic prospect at best. How about the passport, the additional dollar on the passport kind of thing, which would have given us $23 million last year? Supposing that was trust funded or targeted for the function of this agency, for example? Does that notion have any appeal or suggest itself positively?

Mr. ASHMAN. I think this is something that we will be more than happy to consider. I think personally that the alternative funding has got to come from some general "taxing process" rather than to seek voluntary contributions from the private sector if it is going to be realistic, particularly when you look at the industry and you have got a million small businesses, you would probably spend as much to collect as you would collect unless you taxed the five or six or seven large segments of the industry.

Mr. TOOHEY. I think there is a real possibility in the creative development of specific marketing-type programs to which individual companies or destinations can relate to carry out cooperatively with USTTA. Some of that is being done now, and I think there is an opportunity for exploring joint types of marketing programs. The ITB in Berlin is an example in which USTTA provides the mechanism for business to promote their products or services. That is the kind of program in which participation is strictly optional as

far as the private sector is concerned, and when it does participate, it identifies its partcipation with its bottom line. I think much more of that can be done, but to expect the private sector to fund the nuts and bolts of day-to-day operation of a Government tourist office is, excuse the phrase, whistling Dixie.

Mr. SANTINI. That is exactly what Mr. McCoy was proposing this morning. How much money does the private industry forecast for its own overseas marketing effort in 1983? Is there a ball park figure on that?

Mr. ASHMAN. Not one that is realistic. The figure in the testimony is as close as we can get. It is probably very low.

Mr. TOOHEY. I heard a figure of the Air Transport Association the other day; the airlines collectively spend about $40 million overseas on promotion.

Mr. SANTINI. And that was in 1981?

Mr. TOOHEY. I am not sure what year that was, but that was the figure that was given.

Mr. SANTINI. Exactly what kind of assistance would you expect in your efforts from the U.S. Travel and Tourism Administration?

Mr. SHERLOCK. I do not expect them to do something specifically for me or bus operators. I expect them to do something for the United States. We are asking that the United States get in this business to help itself. To the extent that the USTTA engages in a broad promotional effort which will encourage and stimulate people to come to the United States, there will be broad benefits. Some of those may accrue to bus operators and to other transportation entities. I would not think that USTTA can engage in such a specific type of activity that it would supplant what we do. We do a good amount of overseas promotion, but in a smaller way and in a more targeted fashion.

An example is the National Bus Co. got broad charter authority based on the fact that it has picked up assurance from Fugi International of 20 groups daily, 500 a year of Japanese to come to this country. That is the way we do it. We work overseas through agents and bring them here as well. USTTA could not do that for us. Private enterprise still must maintain the thrust of its own efforts.

Mr. TOOHEY. I think all the travel industry would look upon the agency to promote the United States as a place to visit, competitive with the programs of other governments. Destinations in the country would look to USTTA to see that their literature is distributed abroad. The smaller companies that cannot afford an international presence would look to the agency to distribute their materials or to help them participate in international tours and promotional seminars.

Mr. SANTINI. If there were any specific area that you think USTTA should upgrade in its plans if it had the money, do any of you gentlemen have any suggestions in that regard?

Mr. TOOHEY. I think direct consumes media advertising, promoting the United States as a place to visit, a very hard program and a very competitive program in the foreign market, such as other governments carry out, not relying on public relations efforts entirely, but definitely a scheduled, hard-hitting advertising program promoting the United States as a place to visit.

Mr. ASHMAN. I would echo what Bill is saying. If you will notice, our competition directs that program to the ultimate consumer. Mr. McCoy is dealing through intermediaries and does not touch the ultimate purchaser of our product. He is dependent on third parties to carry our message.

Mr. SANTINI. Thank you. I want to reemphasize that I enthusiastically endorse your policy council. I think it is a monumental step in the right direction.

Mr. FLORIO. On a related issue that the committee deals with, we have legislation that has been introduced that deals with the whole question of nontariff barriers to service industry exports, and one of course of those service industries is the tourism industry. We have it fairly well documented as to what those nontariff barriers are with regard to the insurance and banking industry. Concerning tourism for the most part the examples that we have had have largely been discriminatory landing fees applied by some nations. Are there any nontariff barriers that adversely impact on the tourist industry that you are aware of that you might be able to provide us information about?

Mr. SHERLOCK. There is one in relation to the practice of the Mexican Government with regard to the conduct of bus tours and charters. We are not allowed to serve that country. In many cases we have to take charter loads of passengers to the border and they have to walk over and be picked up by the national carrier.

Mr. FLORIO. Mexican charters are allowed to come here?

Mr. SHERLOCK. Yes, sir.

Mr. FLORIO. We have had brought to our attention in the context of trucking operations, and what you are saying is the same situation that now exists, that American truckers are not getting charters to go into Mexico, but Mexican trucking companies come before the ICC and routinely get permission to operate here, that same situation operates?

Mr. SHERLOCK. The truckers' problem is more severe, but it operates in everyday practice. Somebody told me they wanted to take two charterloads of people across the border. Their buses were stopped and held up by the authorities. There was no reason to do that. There was inconvenience to the traveling public, the buses were held for days, and only on payment of fines were they released. It is a practice that makes no sense.

Mr. FLORIO. We would like more information on that.

Mr. MCDERMOTT. We have made inquiries of some of our chains operating overseas, and they have supplied us with data. We would be happy to make their responses available to the committee.

[The following information was received for the record:]

The Sheraton Corporation Sixty State Street Boston Mass 02109 Telephone 367-3600

TO: Joseph McInerney DATE— November 24, 1981

FROM: Roger Titley COPY TO— B.J. Furlong

SUBJECT: Impediments to International Travel Activities Among OECD Member Nations

To assist the Tourism Committee of the Organization for Economic Cooperation and Development (OECD) to identify restrictive practices and examine ways to reduce or eliminate problems in our industry, the following is a response to Albert Alexander's invitation of October 13, 1981 to comment on the OECD check list of Possible Obstacles to International Tourism (attached).

At this point the committee is trying to establish an inventory of existing substantial impediments with an indication of their relative importance, but not at present considering the rationale for their existence or what might be done to modify or remove them. The exercise is being limited to commercial activities among member countries. I have attached a list of the OECD member countries in which Sheraton has a presence.

Within the OECD membership, I find no substantial impediments to travel activity, but there are a number of obstacles found, that with various amounts of management's time and expenditure, can usually be circumvented or surmounted. Generally, the member countries with weaker economic bases and/or lower standards of living (Portugal and Turkey) present the most obstacles in the course of our business. The inverse is true as well: Belgium, Canada, Germany, Sweden, Switzerland and the U.K. (since foreign exchange controls were abolished in 1980) present few obstacles of consequence.

The following comments address the "check list" (attached) provided by Mr. Alexander:

1. Obstacles affecting the individual intending to travel:

Currency Restrictions - France, New Zealand, Portugal and Turkey put restrictions on the amount of foreign currency a traveler may purchase before leaving home, a visiting traveler may bring into the country, and Portugal and Turkey limit the amount of domestic bank notes that may be taken from the country. The limits have not kept up with inflation/devaluation and for a traveler on an extended trip, could prove restrictive. Although credit card

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usage is becoming more common in all member countries, cards are not widely issued in New Zealand, Portugal and Turkey and are not as useful outside major metropolitan centers in Portugal and Turkey. Other obstacles listed in paragraph I are for the most part reasonable and fairly uniform among the membership.

II. Obstacles affecting companies providing services to facilitate travel:

IV. Obstacles affecting companies providing reception facilities:

Foreign Investment/Equity Participation - Contrasted to the U.S. where there are no prohibitions or registration/approval requirements, investments over A$2,000,000 (U.S.$2,280,000) require Central Bank approval in Australia, in Canada all foreign investment in existing or new enterprises must be approved by the Foreign Investment Review Agency, by the Ministry of Industry in Denmark and by the Central Bank in Portugal and Turkey. In Sweden, foreign direct investments require authorization if more than 50% of the total investment is financed with domestic credit.

Resident/Non-Resident Accounts - In the U.S. there is no discrimination between resident and non-resident-owned bank accounts, except that interest earned by non-resident accounts is not taxable. Australia, Belgium, New Zealand, Portugal and Turkey require various approvals and apply diverse restrictions on the opening and use of a non-resident bank account.

Restrictions on the transfer of funds, including capital, invisibles (royalties and fees) and dividends in and out of the country - There are no restrictions in the U.S. over the movement of funds in or out of the country. Commercial banks however, are required to report for statistical purposes, wire transfers of funds in excess of $5000 in or out of the country.

All transfers of capital and capital repatriation from Australia require Central Bank approval.

The Ministry of Finance in Denmark and Netherlands must approve and does restrict all inward and outward transfers of capital and all lending and borrowing proceeds between residents and non-residents. France has recently invoked very strict foreign exchange regulations that require prior approval and exercise control over movements of capital and loan proceeds and that control payment of dividends and fees. In New Zealand, Central Bank permission is required to remit abroad dividends/profits. Remittances of fees require approval of the management contract as well as each individual remittance.

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Portugal and Turkey have all-pervasive approval, control and restriction systems in place for the flow of funds into and out of the country. One of our biggest problems in this respect is Central Bank approval of our management fees from Istanbul.

It should be pointed out here that within the OECD membership there is a sub-set, the European Economic Community (EEC) member countries, which among themselves have reduced some restriction, limitations, controls and approvals of fund flows between EEC members.

Other obstacles --

Non-residents are not permitted to borrow in Australia. If we form a hotel-owning company, we could not borrow the funds for our equity participation. US banks with which we are close are not permitted to branch in Australia (or in any other state in the U.S.); Australian banks may branch anywhere in the U.S.

Purchase of real estate by a non-resident in Denmark requires a special license from the Ministry of Justice. This may apply to resident subsidiaries of foreign companies as well. Foreign borrowing by residents and non-residents in Denmark is limited and must be approved by the Central Bank.

Intercompany accounts between the foreign parent and the resident subsidiary in the Netherlands must be reported to the Central Bank every month. Resident company borrowings from non-resident sources require prior Central Bank approval.

New Zealand imposes limits on the amount of debt subsidiaries or branches of overseas companies may have.

The Portuguese Central Bank imposes a very low ceiling on the amount of hard currency banks may provide local companies for payment of invisibles (fees). Remittances of profits and dividends may be subject to "phasing" for a period of up to one year depending on the Central Bank's level of hard currency holdings (chronically low). Transfer abroad of proceeds from liquidation of foreign investments in Portugal is authorized only after a five year waiting period.

In Turkey, import licenses are very difficult to get and hard currency foreign exchange availability from the Central Bank to pay for the imports even more difficult. Turkish citizens generally are travel restricted: they

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are authorized one overseas trip each three years unless they are seeking medical treatment not available in Turkey. Resident exit visas are very difficult to get. The Ministry of Finance is now not readily approving capital investments in Turkey using blocked funds. Instead, it is requiring foreign entities or local subsidiaries and branches of foreign entities wishing to make the capital investment to fund in excess of 50% of the venture with hard currency funds and the balance may be funded with blocked funds. All private sector borrowing requires Central Bank approval and the amounts are restricted.

In summary, I can find no substantial impediments to international travel activities among OECD member nations. However, there are a number of obstacles, for the most part not found in the U.S. by resident or non-residents, which do give us pause when considering a new project for an OECD country, and that require substantial amounts of time and effort to deal with. From a treasury standpoint, the trend among certain OECD member countries to a freer, open market availability of foreign exchange, simplified and less bureaucratic procedures for the approval and registration necessary to invest capital and remit dividends, and the freer movement of invisibles (fees) would be welcome.

Sources: Annual Report on Exchange Arrangements and Exchange Restrictions - 1981, International Monetary Fund.
Financing Foreign Operations, Business International Corporation.

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COUNTRY	PROPERTY	CORPORATE RELATIONSHIP O = Owned M = Managed L = Leased F = Franchised JV = Joint Venture	EQUITY PARTICIPATION
Australia	Sheraton Perth	L	
	Brisbane Sheraton (under construction)	M	20%
Belgium	Brussels Sheraton Hotel	L	
Canada	Sheraton Caravan Hotel	F	
	Sheraton Northwoods Inn	F	
	Sheraton Northwoods Inn	F	
	Sheraton Landmark Hotel	F	
	Sheraton Plaza 500	F	
	Sheraton Villa Inn	F	
	Sheraton Brock Hotel	F	
	Sheraton Motor Inn	F	
	Sheraton Foxhead Inn	F	
	Sheraton El Mirador Motor Inn	F	
	Sheraton Caswell Motor Inn	F	
	Sheraton Caswell Inn	F	
	The Sheraton Centre	M	JV
	Hotel Triumph Sheraton	F	
	Sheraton Le Marquis	F	
	Sheraton Mt Royal Hotel	M	
	Sheraton Le St Laurent	F	
	Sheraton Laval	F	
	Sheraton Saint Hyacinthe	F	
	Sheraton Marlboro	F	
	Sheraton Centre	F	
	Sheraton Cavalier	F	
Denmark	Sheraton Copenhagen	O	100%
France	Paris Sheraton	O	100%
Germany	Frankfurt Sheraton	M	
	Munich Sheraton	O	100%
	Sheraton Essen	M	
Luxembourg	Aerogolf Sheraton Hotel	M	3.87%
Netherlands	Sheraton Schiphol Inn	F	
	Sheraton Inn Geldrop	F	
New Zealand	Auckland Sheraton (under construction)	MC	20%
Portugal	Madeira Sheraton Hotel	M	
	Lisboa Sheraton Hotel	O	70%
Sweden	Sheraton Stockholm Hotel	M	
Switzerland	Atlantis Sheraton Hotel	M	
Turkey	Istanbul Sheraton Hotel	M	
United Kingdom	Sheraton Park Tower Hotel	M	
	Sheraton Skyline Hotel	M	
	Sheraton Heathrow Hotel	M	

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Mr. FLORIO. Thank you very much, gentlemen. We appreciate your participation this morning. The committee stands adjourned.

[The following statement was received for the record:]

Statement of Jonathan S. Linen
President of American Express Company Travel Division
on the Economic Impact of Tourism

Mr. Chairman and members of the Subcommittee, please accept my thanks for your invitation to submit the views of the Travel Division of American Express Company on the matter of the economic impact of tourism.

The Travel Division of American Express is one of the world's largest travel agencies. It provides a full range of travel and travel-related services through more than 1000 Company-owned and representative offices in 126 countries around the world. In the United States it has more than 450 Company-owned and representative travel agency locations. That may sound like a large number and, for a single company, it is. But it is only a small part of the travel agency industry in this country. Recent figures provided by the Air Traffic Conference of America show that there are now more than 19,000 travel agency locations in the United States. By far the greatest number of these agency locations are sole proprietorships or small partnerships. Nevertheless, the travel agency network is the backbone of the system for the sale and

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promotion of travel. And its importance is even greater in the promotion of tourism, because the typical tourist is looking for a complete package of services which will include air, air/sea and land transportation, hotels, car rentals, sightseeing, escorted tours, and the like.

It is important, I think, that the subcommittee realize that the more than 19,000 travel agency locations in the United States have been developed by persons -- in most cases individuals rather than corporations -- who have been prepared to undertake the entrepreneurial risk of entering what is a highly competitive industry. American Express Company encourages that competition because it believes that the free marketplace is the best guarantor of innovation and of improved service to the traveling public. Competitive as it is, however, the travel agency industry could become more efficient if some of the regulatory restraints under which it operates are removed. Actions taken by the Civil Aeronautics Board subsequent to the Airline Deregulation Act of 1978 have eliminated or eased some of these restraints. Thus, domestically, United States air carriers have been exempted from the legal requirement of strict adherence to the prices set forth in their tariffs, thereby permitting

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great flexibility in their pricing. At one time, joint agreements between the carriers which were approved by the Civil Aeronautics Board prohibited a travel agent from setting up a travel agency location at an airport. That prohibition has been withdrawn, at least by domestic carriers. But other restraints on a travel agent's ability to innovate and compete remain.

Fortunately, the remaining restraints are in issue before the Civil Aeronautics Board in a proceeding known as the Competitive Marketing of Air Transportation Investigation, Docket 36595. American Express Company is advocating the several restraints on competition be disapproved. In fairness, I should point out that many travel agencies disagree with the American Express position, apparently preferring the security blanket of the status quo to the brisk but exhilarating winds of more open competition.

What I have said to this point is that the travel agency business is a highly competitive one and one which we hope will become more so in the near future. The more that free marketplace competition is enhanced, the greater will be the ability of the travel agency industry to develop and promote travel and tourism both in this country and to this country. But regardless of the improvement of competitive conditions, the travel agency industry needs the

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encouragement and assistance of Congress. It is one thing for American Express Company to make its own large outlays of advertising funds in tour brochures, domestic and foreign magazines, newspapers and other media. But it cannot be expected that the small so-called "Mom and Pop" agency locations which make up the vast majority of all locations can make such efforts even commensurate with their size. There are at least three ways in which the Congress can and should help.

1. The Budget for the United States Travel and Tourism Administration (USTTA)

In FY 1981, the actual expenditure of the United States Travel Service for International Tourism Development was $6,606,000. Expenditures in that program for FY 1982 are estimated at $6,388,000. For FY 1983, the proposed budget for that program has been reduced to $3,848,000 -- a reduction of about 42 percent. (See Budget of the United States, Fiscal Year 1983, at I-F18.) American Express readily acknowledges that in these difficult times the allocation of budgetary resources presents hard choices. There are many axles squeaking for more grease. American Express respectfully suggests, however, that it represents false economy so drastically to slash the budget of a governmental agency which can assist in the production of

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foreign exchange, positive trade balances, and job opportunities for United States citizens. I submit that the cut in USTTA's budget is particularly inopportune in light of recent trends in international travel, for according to U.S. Travel Service estimates, in 1980 more than 21 1/2 million foreign travelers set foot in the United States. This figure represents a fourfold increase within the past ten years. International travel to the U.S. has been growing at an average annual rate of 15 percent. But, the next five years promises to be a period of even more accelerated growth, and the economic impact is expected to be far reaching.

Current yearly receipts from international travel to the U.S. totaled $10 billion -- a nearly tenfold increase since 1960. Yet, by 1985 we can look forward to double that amount -- or more than $55 million a day in inbound receipts. Translated into service industry jobs, that figure can mean employment for up to 750,000 people. In fact, the international travelers may well represent our single most important untapped market.

More over, during the past ten years, our balance of payments in the service industry has been steadily

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growing -- while the balance for goods has been declining, and the trade in services was responsible for the first overall surplus since 1976. I further submit that without that surplus, interest rates and inflation might well be even higher. To reduce United States Government promotion of international tourism by more than 40 percent is, under those circumstances, counterproductive.

2. Visitor Visa Waivers

If I want to go to the United Kingdom or to many other countries, all I need generally is a valid passport. But if citizens of the United Kingdom wish to come for a vacation and a tour of the resorts and recreational areas of the United States, visas are required, In short, we handicap ourselves in the world-wide competition for tourist revenue. I know that the Congress has tried in the past to obtain legislation which would permit a waiver of the visa requirement for citizens of selected countries. I urge you to try yet again.

3. Customs and Immigration Inspection

In response to an outcry against severe delays in clearing Customs and Immigration at United States ports of entry, a one-stop clearance system experiment was initiated at a limited number of international airports.

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That experiment has been successful in alleviating the delay problem at those airports to a considerable extent. It is time to enlarge the one-stop clearance system.

Mr. Chairman and members of the Subcommittee, the foregoing are the views of American Express Company on some of the aspects of the economic impact of tourism. In summary, the private sector can do much to promote tourism, but it cannot do it all. We need your help to reduce regulatory constraints on free marketplace competition. And only Congress can act with regard to easing such inhibitions to foreign tourism as the visa requirements and the difficulties of entry clearance. I thank you once again for the opportunity to present our statement.

[Whereupon, at 11:50 a.m., the hearing was adjourned.]

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